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INFLATION AND THE DOLLAR

THE EDITORS

STATE CAPITALISM IN INDIA

P. CHATTOPADHYAY

Juan Bosch on Popular Dictatorship

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NOTES FROM THE EDITORS

The *Library Journal*, the professional librarians' trade journal, recently carried an article entitled "Books for the Counter-Culture," by Sylvia Price, Reference Librarian at the New School for Social Research. "The following bibliography," she writes, "is a list selected initially to answer the demand for books which young radicals want to read, and hope to find available in a (groovy) college or public library. . . . The selection ranges from the sacred to the profane, depending on how one cares to interpret that; from the hilarious to the most scholarly; from the most popular (Che, Fanon, Cleaver, Malcolm X, Mao) to those known only by a minority (Gorz, Gramsci, Nizan). But it is also recommended to everyone who is interested in maintaining a dialogue with a generation which has

(*Continued on inside back cover*)

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NOTES ON INFLATION AND THE DOLLAR

It has long been known that in a monopoly capitalist economy inflation is possible without any excess of aggregate effective demand over productive potential. It is enough that demand should increase sharply in one or more important sectors of the economy, permitting monopolistic corporations in these sectors to raise prices and reap higher profits. Other sectors of the economy, even if characterized by excess capacity, have no reason to lower prices to offset the higher prices in what may be called the dynamic sectors, so that we already have an explanation of an increase in the average level of prices. But this is not the end of the matter. The increased activity in the dynamic sectors means increased demand for labor, materials, and equipment. Prices of these factors of production therefore rise, and the raises naturally tend to spread in the form of higher costs to the other sectors. Capitalists in these other sectors then raise their prices to compensate for the higher costs, and another upward push is imparted to the general price level. As price increases spread out from their starting point like ripples in a pond, they affect more and more sectors of the economy, public as well as private, obliging everyone to try to protect himself as best he can by raising the price of *his* goods or services. This whole process tends to take on a self-perpetuating character once it has been set in motion. In particular the subsiding of the increase in demand in the original dynamic sectors, though it is likely to initiate a recession in production, is by no means enough to stop the price inflation; and any new important shift in sectoral demand can give it a new impetus. To bring inflation to an end in a monopolistic economy may

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therefore not be possible without a prolonged period of stagnation in which excess capacity and unemployment become general throughout the system.*

The foregoing explanation of the inflationary process seems to fit recent U.S. experience quite well. During the last two decades there have been three marked inflationary episodes—that associated with the Korean War, that of 1956-1958, and that of the 1960s which moved into high gear in 1965 and is still going strong. At no time during this whole period has the economy been under real strain as it was, for example, during the Second World War. Whereas in 1944 unemployment reached an all-time low of 1.2 percent of the labor force, only once during the fifties and sixties did the rate dip below 3 percent, reaching 2.9 percent in 1953. And data on utilization of capacity indicate that, overall, the American economy has normally been provided with a comfortable cushion of idle capacity during these years. That there is no direct correlation between inflation and the fullness of utilization of human and material resources is sufficiently demonstrated by the facts that at the time of writing consumer prices are rising at a rate of about 7 percent a year (at or near the peak for the entire two decades) while unemployment is almost 4 percent of the labor force and capacity utilization has dipped under 80 percent for the first time since 1958.

The Korean War brought with it a large increase in both military spending and investment in plant and equipment. These were clearly the dynamic sectors responsible for the inflation of the early 1950s. The 1956-1958 episode was different: there was no war then and, as Charles Schultze convincingly showed in the work referred to above, the milder inflation of those years was initiated by a boom in capital goods spending. The latest inflation, beginning in earnest in 1965, repeats in essentials the pattern of the Korean War period. Comparing 1964,

* The pioneer study of this kind of inflation, still well worth careful study after ten years, was Charles L. Schultze, *Recent Inflation in the United States,* Study Paper no. 1, materials prepared in connection with the Study of Employment, Growth, and Price Levels for consideration of the Joint Economic Committee, Congress of the United States, September 1959.

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the last year before the Americanization of the Vietnam War, with 1969, we get the following picture (billions of dollars):

	1964	*1969*	*Increase*
Military outlays	50.0	79.3	58.6%
Plant & Equipment	47.6	75.3	58.2%

It is of course a coincidence, though a remarkable one, that military spending and plant-and-equipment spending increased by almost exactly the same percentage. But in any case we are left in no doubt that these have been the dynamic sectors during this latest bout of inflation. Nor is there any reason to question that as between the two it was the military which played the triggering role.

Let us now look more closely at the present situation. We have already noted that inflation is proceeding at a brisk pace, while there is plenty of slack in the economy. In fact the amount of slack is rapidly increasing as we move into what many establishment economists and pundits are calling the country's first recession in a decade.

Most observers seem to hold the view that this recession was brought on by the tight-money policies adopted by the Nixon administration when it came to power a year ago. Tight money, so the argument runs, pushes up interest rates and this in turn discourages certain kinds of spending, resulting in cutbacks of production, layoffs, and a general slowing down of economic activity. No doubt it works out that way in some circumstances, but it is questionable if this mechanism has been of crucial importance in the present case. Rising interest rates are a normal accompaniment of inflation:* the trend has been

* The reason for this is not far to seek. Suppose the price level is rising at a rate of 10 percent a year. A person lending money at 10 percent interest would have 10 percent more money at the end of the year but exactly the same amount of real purchasing power as he had at the beginning. Under these circumstances it is obvious that no one would lend money: it would be better to buy real assets, trying to select those whose prices are rising faster than the price level as a whole. It follows that lending will take place only at a rate of interest exceeding 10 percent. Applying this reasoning to the United States, we see that real rates of interest—i.e., rates which are adjusted for price changes—are not particularly high. With prices rising at 5 to 6 percent a year, interest rates in the 8 to 10 percent range, such as have recently prevailed for high-grade debt instruments, translate into a *real* interest rate in the

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upward since 1965 and would probably have continued through 1969 regardless of the government's monetary policies. What brought on the present recession is therefore not tight money, though it may have made a contribution to the extent that it drove interest rates higher than they would otherwise have gone. The responsible factor was rather a leveling off followed by the beginnings of an actual decline in military spending. Here are some excerpts from an article in *Business Week* of January 24th commenting on the woes of the aerospace industry, the heart of the military-industrial complex:

> After living through their poorest business year in a decade, U.S. aerospace companies face what could be an instant, bone-crunching replay. . . .
>
> President Nixon has committed himself to a $5-billion reduction in defense spending for the 12 months beginning July 1, following a $4-billion cut during the current fiscal year. . . .
>
> At the National Aeronautics and Space Administration, another big source of aerospace contracts, an additional $150-million cut for fiscal year 1971 was reported this week, reducing its budget to about $3.35 billion. NASA's budget for the current fiscal year is $3.7 billion, down $200 million from the previous year. . . .
>
> Whatever comes in fiscal 1971, the industry cannot wish away the continuing impact of cutbacks already made in the last six months of 1969, *when defense contracting started a marked downward* drift. From July through September, the latest quarter for which statistics are available, contracts fell to $8.6 billion from $10.9 billion a year earlier. At the same time, aircraft contracts dropped to $1.6 billion from $2.1 billion a year earlier. (Italics added.)

The italicized clause is particularly significant, since it is changes in the volume of contracts let which foreshadow future changes in spending and, in an apt phrase of *Business Week*'s writer, send "shockwaves from the big contractors to their subcontractors." That the sector of the economy where the infla-

neighborhood of 4 percent, which was about the yield on such instruments in the period just before the rate of inflation began to pick up in 1965. One thing needs to be added, however: if and when the rate of inflation slows down or halts, long-term borrowers who contracted debts at high money rates which seemed reasonable in the light of rising prices suddenly find that the real rate they are paying has gone up on them. In this way there is created an increasingly strong vested interest in the continuation of inflation.

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tion started should also be the one which initiated the recession in production is in accord with the theory set forth above. Also in accord with the theory is that, once well under way as it now is, inflation can easily survive such a recession and propagate itself for a long time to come.

What else will happen, in addition to the continuation of inflation, is impossible to predict. Perhaps the Establishment economists are right who foresee a relatively brief recession followed by an upturn, moderate growth, and gradually receding inflation. And then again, maybe they aren't. The uncertainties of the situation are clearly indicated by *Fortune* magazine in the "Business Roundup" section of its February issue:

> It is clear that the Fed [Federal Reserve system] is going to have to do something . . . , and do it soon, to facilitate a transition from lagging real demand to modestly rising demand without a major recession. To accomplish this without refueling inflation is the very delicate task that Chairman William McChesney Martin is handing over to his successor, Arthur F. Burns.

The trouble is that no one knows how to perform this "very delicate task"; and if Mr. Burns and his colleagues fail to find the secret in good time, it may well be that whatever they decide to do will contribute to more inflation or deeper recession or both at the same time. In looking ahead, it would even be wrong to exclude the possibility of a financial crisis and a real depression. In nearly ten years of expansion under the impact of the military buildup begun by Kennedy immediately after he took office and sharply stepped up by Johnson when he Americanized the Vietnam War, all kinds of imbalances, tensions, and contradictions have accumulated in the U.S. economic system. As an example, take the disproportionate growth of debt as compared to income (the figures are in billions of dollars):

	1960	*1969*	*Increase*
Personal Income	383.5	629.6	63.4%
Consumer & Mortgage Debt	197.3	388.8	97.1%

What these figures show is that on the average during the 1960s people's debts grew more than 50 percent faster

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than their incomes. In an atmosphere of seemingly endless boom, such imbalances don't seem to matter. But centuries of capitalist history tell us that once the boom comes to a halt, they quickly rise to the surface and often acquire a tremendously disruptive force of their own. It is true that, like the boy who cried wolf, radicals have too often cried depression in the years since the Second World War. Many, especially in the European Left, seem by now to have convinced themselves that capitalism has really changed and that there need never again be a serious economic breakdown. Predictions are out of order here, but a reminder that the wolf finally came is not.

So far we have confined attention to the domestic problems and aspects of inflation in the United States. Its international ramifications and implications are no less important.

For reasons which have already been alluded to, all monopoly capitalist economies—and nowadays the entire capitalist world, including its backward sectors, is dominated by monopolies—are inflation-prone. If the rate of inflation were approximately equal throughout the system, this would not be an important cause of international disequilibria. But of course no such equality exists, and the law of uneven development under capitalism, so much stressed by Lenin and other early Bolshevik writers, guarantees that if equality ever were achieved it would be only accidentally and momentarily. In practice rates of inflation vary widely from country to country and from time to time, with highly significant consequences for the various national entities and their dominant classes.

In the case of the United States in the last five years, prices have been rising faster than in other leading capitalist countries. This means that it has become progressively harder to sell U.S. goods abroad and easier to sell foreign goods in the American market. The result has been a reduction in the excess of merchandise exports over imports and hence an impaired ability to acquire the foreign currencies needed to carry out U.S. operations in other countries (especially military operations which, as in the case of Vietnam, can be tremendously costly in terms of foreign currencies). Since the Americanization of the Vietnam War, a robust export surplus of approximately $6 billion in 1964 largely disappeared by 1969. The

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result has of course been a drastic weakening of the U.S. balance-of-payments position: on an international scale the United States is now living far beyond its means. In the last few years this fact has been obscured by a number of special circumstances. For example, the long U.S. stock-market boom of the 1960s attracted billions of dollars from European speculators and investors. And when this source of strength to the U.S. balance of payments started to dry up about a year ago, U.S. banks began borrowing foreign-owned dollars on a massive scale in order to escape, at least in part, from the adverse effects on them of the Federal Reserve's increasingly restrictive domestic credit policy. But inflows of funds of this kind are no panacea: indeed, being reversible, they are potential sources of longer-run weakness rather than strength.

How is it possible that the United States can live beyond its means? The answer, in its simplest form, is that up to now the other capitalist countries have been willing to accept more and more U.S. dollars on the implicit assumption that they are a form of IOU which can eventually be cashed in. The United States, in other words, has been like a high-living rich man who is allowed by his grocer, tailor, wine merchant, etc. to run up bigger and bigger bills because they believe that sooner or later he will pay them off. The question, in the one case as in the other, is how long this can go on.

There is of course no pat answer. It all depends on the specific circumstances, and in the U.S. case the factors involved are so numerous and interconnected that precision is completely out of the question. But one thing does seem sure: the piling up of IOUs cannot go on forever. There must come a time, sooner or later, when the creditors will say "No more!" and begin to try to collect on what they already have. And that would mean a complete breakdown of the present international monetary system, with consequences perhaps even more profound and widespread than those which followed the breakdown of the international monetary system in 1931.

It is not our purpose here to speculate on the nature of these consequences but rather to point out that given the present rate of inflation in the United States, the day of reckoning is inevitably drawing closer and that it is this more than any-

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thing else which dictates to the Nixon administration a policy of inflation control.

At this point a question naturally arises: Why have the other capitalist countries been willing to accept U.S. dollar-IOUs as long as they have and in the quantities they have? Since the 1940s there have been only two years in which the United States has had a favorable balance of payments, and the cumulative amount of dollars paid out in excess of the amount taken in for the two-decade period is of the order of $35 to $40 billion. As of the end of 1968, U.S. short-term liabilities to foreigners were more than twice as great as the sum of the U.S. gold stock, foreign currency holdings, and reserve position at the International Monetary Fund. What explains this remarkable willingness of the rest of the capitalist world to go on absorbing these seemingly weaker and weaker dollars?

In general there are two sets of answers to this question. The first has to do with the role of the dollar as the reserve currency of the capitalist world and the second with the fears, which are shared by all bourgeois regimes, of what might happen if the supremacy of the dollar were seriously challenged.

A reserve currency is one which other countries treat the way they do monetary gold, i.e., they use it as backing for their own currencies and as a medium for settling their international accounts. The dollar and the pound both used to be reserve currencies, but in recent years the dollar has acquired a virtual monopoly position. When the international monetary system is working smoothly, dollars are literally "as good as gold," and indeed even better since dollars can earn interest while gold cannot. To this we have to add that as national economies grow and world trade expands, the need for monetary reserves also increases. And since, for reasons which need not detain us, the production of new gold in recent times has been incapable of meeting this need, the gap has had to be filled with dollars. The mechanism by which these dollars have been added to the capitalist world's monetary reserves has been precisely the continuing deficits in the U.S. balance of payments.

This has been a most convenient and profitable arrange-

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ment for the United States.* But it has also been useful for the rest of the capitalist world, and indeed one might even say necessary as long as none of the other currencies is able to fulfill the role of the dollar. De Gaulle often talked about dethroning the dollar, but his alternative was an unrealistic return to a pure gold standard and he obviously never had the strength to do more than talk. Up to a point therefore one can say that the capitalist world *had* to accept a steady outflow of dollars as the price of keeping its global structure intact. This is one aspect of the problem.

But "up to a point" does not mean forever or without limit. There seems to be little doubt that the outflow of dollars which has been taking place since the Americanization of the Vietnam War is much more than would be needed on a continuing basis to meet the need for increased monetary reserves. And yet the other capitalist powers continue to show a remarkable tolerance in the face of this situation. Why?

At the most basic level the reason is simple: fear of the revolutionary forces which any upheaval in the capitalist system might unleash. The ghetto uprisings in the United States from 1964 to 1968 and the May events in France in 1968 proved that these forces are there. Ever since, the international bourgeoisie has been worrying and wondering about where and when the volcano will erupt the next time. And in these circumstances there is, not surprisingly, pretty general agreement among the powers that be that it is no time to rock the boat. A story in the *New York Times* of November 18, 1969 (by Clyde Farnsworth, datelined Basel, Switzerland) casts a revealing light on what is at issue here:

> The United States, at a meeting here of central bankers from ten major nations, has linked its continuing deficit in the balance of payments to the problem of black unrest in the country.
>
> Central bankers from the United States have told their Western European and Japanese counterparts that the United States cannot accept the social cost implicit in getting rid of the balance-of-payments issue.
>
> The most effective way to eliminate the payments deficit is

* For a fuller explanation, see Harry Magdoff, *The Age of Imperialism* (New York: Monthly Review Press, 1969), pp. 80-110.

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by prescribing a recession, but the Americans argue that the first men to be laid off, according to traditional employment patterns, would be unskilled black workers. This, they say, would provoke an intolerable aggravation of racial disquiet.

The argument is not a new one, but it is unusual for it to be raised in international monetary discussions. . . .

The reaction of the Europeans and Japanese was said by the same sources to have been sympathetic. Their attitude was summed up as follows:

Since the growth of international trade depends on the healthy evolution of the American economy—the richest market in the world—little can be gained by having this economy slip into a recession torn by violence.

The American argument was advanced after Paul A. Volcker, Under Secretary of the Treasury for Monetary Affairs, disclosed that the quarter ended in September had resulted in another large deficit in the American balance of payments. . . .

The American policy remains to curb inflation by maintaining credit restraint. But, judging from the American position here, the stress is now on taking precautions to prevent any substantial increase in unemployment. The rate is now around 4 percent. . . .

Implicit in this policy is the belief, though not frequently stated openly, that a rise in unemployment would worsen black unrest.

According to this account, the European and Japanese capitalists have two reasons, one positive and one negative, for their tolerant attitude toward continuing large U.S. balance-of-payments deficits. The positive reason is that an inflationary U.S. economy is an excellent market for their exports on which, in the final analysis, their own prosperity is crucially dependent. And the negative reason is that deflation in the United States would be likely to produce dangerous political instability.

We would like to suggest a possible third reason, namely, that the capitalists of other countries are really not as opposed to U.S. military expenditures and activities—which, as noted above, underlie both inflation and balance-of-payments deficits—as they sometimes appear to be. Insofar as the purpose of the U.S. war machine is to maintain in power throughout the Third World regimes which are hospitable to capitalist trade and investment, the capitalists of other countries are co-beneficiaries of its activities. Since they do not have to bear any of the direct costs of this worldwide policing, they may well feel that the least they can do is to help indirectly by absorbing the

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outflow of dollars which is one of its unavoidable by-products. Furthermore, if the United States were to assume a more modest military posture, the Europeans and Japanese would probably feel it necessary to do more of their own policing. From their point of view such a development would be doubly disadvantageous. On the one hand the Americans with a less inflationary economy and fewer resources committed to the military effort, would be better able to compete in world markets. On the other hand, the necessity to expand their military effort would make the Europeans and Japanese less formidable competitors in the world market. In other words, the existing arrangements under which the United States undertakes to do most of the policing and to bear all the direct costs involved can hardly fail to appeal to European and Japanese capitalists as an eminently sensible one. Why jeopardize it by putting unnecessary pressure on the dollar?

There is, then, no mystery about the tolerance of the rest of the capitalist world for U.S. dollars. In part they are necessary for the functioning of an international monetary system based more and more on the dollar and less and less on gold.*

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* The recent decline of the free-market price of gold to, and on occasion even below, the official monetary price of $35 an ounce clearly demonstrates that for the present at least the capitalists of the industrially advanced countries have decided to accept what is essentially a dollar standard. The decision was made easier for all concerned by the establishment of the system of Special Drawing Rights (SDRs) at the International Monetary Fund. These SDRs, of which $9.5 billion worth are to be created in the next three years, are in effect fiat international money and are of course being apportioned according to the time-honored capitalist principle of "To him that hath shall be given." Under the caption "Monetary system provokes ire of poor nations," *Business Week* commented as follows in its issue of October 4 (p. 111):

"While the rich industrial nations patch and prop up the international monetary system, poor nations look on with increasing bitterness.

"They see little benefit for themselves in such schemes as special drawing rights and expanded quotas in the International Monetary Fund. . . .

"This week's annual meetings of the World Bank and the IMF only reinforced the view of many delegates from poor nations that the international financial agencies are rich men's clubs.

"Their mood is distilled in a Latin American delegate's acid comment on SDRs: 'It is disgusting to see the fat nations voting themselves an extra $9 billion while they cut back on their aid to us. It is like feeding steaks to dogs in front of starving people.' "

The validity of the comment is hardly vitiated by the fact that the

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And refusal to accept even more than are needed for this purpose would most likely have very disagreeable consequences for the capitalists of the industrially advanced nations. They have therefore generally refrained from pressuring the United States, preferring to leave it to successive U.S. administrations to decide for themselves when and how to tackle the inflation and balance-of-payments problems. And since the policies of the Johnson administration proved inept and ineffective, the Nixon administration on coming to office found itself faced with a situation which threatened to get out of hand.

Here we come full circle to the point where we left the domestic aspects of inflation a few pages ago. For international no less than for internal reasons, bringing inflation under control assumes increasing importance for the U.S. ruling class. But can it be done short of a real depression and a lengthy period of stagnation?

Liberals like J. K. Galbraith are wont to answer, on the basis of experience in the Second World War, that it can be done by means of a system of direct controls (price and wage fixing, allocation or rationing of scarce resources, etc.). But neither the Johnson nor the Nixon administration has ever seriously considered this course, probably mainly because both the big corporations and the trade unions are strongly opposed to controls. Another reason, which may or may not have been operative, is that controls, to be effective, require a certain amount of national unity and civic discipline, lacking which they fail of their purpose and become a bottomless source of graft and corruption. Unlike earlier wars, the Vietnam War has produced in the United States the exact opposite of national unity and civic discipline. Thus even if the government had been disposed to use controls—which it has never been—it is quite likely that the situation would have been made worse rather than better.

So we are left with the strong probability that what lies ahead is either a continuation of inflation or a depression and stagnation. Obviously, neither prospect is "acceptable" to the U.S. ruling class, so we can expect much talk about other solu-

delegate in question undoubtedly represented an oligarchy which specializes in feeding steaks to dogs in front of starving people.

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tions and maneuvering to try to realize them. But in the final analysis what we are likely to get is, one way or the other, a profound deepening of the multiple crises which are slowly but surely weakening U.S. monopoly capitalism and sapping its ability to control its victims and retain the support of its allies.

(February 10, 1970)

Thailand promises to be an excellent investment and sales area for Americans if the rebel insurgency can be contained.

—Chase Manhattan Bank, Economics Research Division, April 1, 1969

I am entirely at a loss to understand why spending $1.1 billion on our own health, education and poverty would ruin us, while spending $2- to $3-billion monthly on a senseless war, and taking on the unlimited new financial burden of building and supporting a new army, spending $70- to $80-billion on unproductive armaments with twenty billion extras here and there, does not affect us, and has nothing to do with our progressing inflation.

—Albert Szent-Gyorgyi, M.D., *New York Times,* February 15, 1970

Increasing world production of major food crops—a bright potential for feeding larger populations—is currently building up costly surpluses and straining international trade relations.

—*New York Times,* April 14, 1969

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STATE CAPITALISM IN INDIA

BY PARESH CHATTOPADHYAY

The purpose of this paper is to discuss the nature of state intervention in the Indian economy. We shall, however, omit from our purview agriculture and foreign capital. We shall thus be mainly concerned with the organized industrial sector. It is indeed here that the role of the state assumes its most pronounced character.

I

The *Draft Outline* of India's First Five-Year Plan said that "planning under present conditions means an economy guided and directed by the state." Its finalized document added that "the state itself must raise a considerable proportion of the savings needed." In November 1954, Pandit Nehru pressed the National Development Council to adopt the "socialistic pattern of society" as the economy's goal after declaring that "the picture I have in mind is definitely and absolutely a socialistic picture of society." He of course hastened to add, "I am not using the word in a dogmatic sense, but in the sense of meaning largely that the means of production should be socially owned and controlled." In January 1955, the famous Avadi Resolution of the Congress Party was passed in almost the same terms as those used by Nehru earlier. In December of that year the

This is a revised and extended version of a paper read before a symposium organized by the State Planning Board, Government of Kerala, at Trivandrum in October 1968. Paresh Chattopadhyay is an associate professor of economics at the Indian Institute of Management in Calcutta. He wishes to acknowledge his indebtedness to Professor Charles Bettelheim, who read and criticized an earlier draft.

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Indian Parliament adopted the goal of a "socialist pattern." As regards the specific objectives of the socialist pattern thus envisaged, the *Second Plan Draft Outline* put special stress on three of them by declaring that (a) benefits were to accrue more and more to the relatively less privileged; (b) there was to be a progressive reduction of the concentration of incomes, wealth, and economic power; and (c) the public sector of the economy was to undergo rapid expansion. As is well known, the successive plan documents have emphasized the increasing role of the public sector in the economy while reasserting the socialistic pattern as the goal of planning in India. The *Fourth Plan Draft* does not even speak of "socialistic pattern" but speaks of "socialism" *tout court*.

Quantitatively, the following table shows the evolution of the share of the public sector in the total investments in industry in the course of the first three plans.

TABLE I

(*Crores*[a] *of rupees in current prices*)

	First Plan	*Second Plan*	*Third Plan*
Public	55	938	1520
Private	233	850	1050

[a] 1 crore = ten million.

Source: *Fourth Five-Year Plan—A Draft Outline* (Government of India), p. 11.

The share of the public sector in the reproducible tangible wealth of the country increased from about 15 percent in 1950-1951 to 35 percent in 1965-1966.*[1]

At first sight all this is very impressive. This has even inspired a distinguished Indian economist to do a small but ecstatic exponential exercise in order to prove that, subject to some minor qualifications here and there, the creation of a socialistic pattern of society in India could be carried out over a twenty-year period.[2] Let us examine the situation more closely.

* Numbered notes will be found at the end of the article.

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II

It must be pointed out at the outset that the intervention by the state in the economy is not the monopoly of socialism. For a long time it has been a familiar phenomenon, even among the capitalist states. The necessity of such intervention was, as is well known, stressed by Adam Smith himself. According to him, among the duties of the state were the "erecting and maintaining [of] those public institutions and those public works which though in the highest degree advantageous to a great society are however of such a nature that the profit could never repay the expense to any individual or small number of individuals," and which therefore they cannot be expected to undertake.[3]

In real life as well, the capitalist societies have long since abandoned *laissez-faire,* even if such a thing ever existed. The capitalist economies in the course of their development have given rise to monopoly and concentration. The Great Depression of the 1930s and the Second World War with its unprecedented necessity of mobilizing the total economy compelled an increasing intervention by the state in the economic affairs of capitalist societies. Necessities of postwar reconstruction and the so-called "defense" expenditures brought about by the Cold War accentuated the process still further.

Frederick Engels, as is well known, had already foreseen the movement of capitalism along this line. In a famous passage he pointed out that at a certain stage of the development of capitalism, the contradiction between the social character of production and the capitalist character of appropriation creates a situation where the productive forces themselves press forward to put an end to the contradiction, to the "actual recognition of their character as social productive forces"; and it is this pressure of the productive forces which compels the capitalist class itself more and more to treat them as social productive forces, insofar as this is at all possible within the framework of capitalist relations. This leads first to various forms of joint-stock companies and later on, when even that method becomes insuf-

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ficient, to the direct ownership and control of the means of production by the state, as the official representative of the capitalist society.[4]

This state ownership is of course not socialism in the scientific, that is Marxist, sense of the term since the character of the state itself does not undergo any qualitative change. The state still remains, in the words of Engels:

> the organization with which bourgeois society provides itself in order to maintain the external conditions of the capitalist mode of production against encroachment either by the workers or by individual capitalists. The more productive forces it takes over as its property, the more it becomes the real collective body of all capitalists, the more citizens it exploits. The workers remain wage-earners, proletarians. The capitalist relationship is not abolished; it is, rather, pushed to an extreme.[5]

This line of thought was later further developed by Lenin in his various writings.[6] There he pointed out that the direct intervention by the state in the capitalist economy, necessitated by the exigencies of capitalist development itself, leads only to state capitalism or state monopoly capitalism. Lenin severely criticized the German revisionists of his day for characterizing the German war economy as "wartime socialism," whereas in reality it was nothing but "wartime state monopoly capitalism," since the German state itself was the "organization of its ruling classes, that is, the Junkers and the capitalists."*

The trend towards state capitalism, true in general for the advanced capitalist countries in the twentieth century, manifested itself with particular keenness in the underdeveloped countries after they became formally independent in the post-Second World War period. We are referring here to those countries

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* *Impending Catastrophe* in *Selected Works* (Moscow, 1947), vol. 2, p. 112ff. Lenin also discussed "state capitalism" in a different context, in the context of the *post-revolutionary* Russia where the working class had *already* captured state power. Given this fundamental political fact, as well as the fact of the backwardness of the Russian economy, Lenin, in his debate with Bukharin and other "left" Communists justly defended state capitalism as a step forward to socialism. See *"Left-wing" Childishness and Petty-Bourgeois Mentality* in *Collected Works* (Moscow, 1965), vol. 27, p. 333ff.

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that have remained basically within the world capitalist system. There the exigencies of development were so urgent that the government just could not leave the matter in the hands of individual capitalists because, first, they were ill-equipped for those investments that were essential but least paying, particularly in the short run and, secondly, they lacked, in general, funds, initiative, and experience. In a word, those segments of the economy that needed huge investment, modern and sophisticated technology, and a long gestation period before being able to provide a strong base for massive industrialization were brought under the direct purview of the state. Hence in almost all underdeveloped countries the government, irrespective of the particular "ideology" it professed, took a significant part in the functioning and controlling of the economy.

It must, however, be stressed that the development of state capitalism is *objectively* a step forward compared to purely private-enterprise capitalism in that by creating the necessary *material* base it facilitates the transition to socialism once the working class seizes political power. More particularly, in an underdeveloped country, even when the state retains an essentially capitalist character, state capitalism may be progressive at least insofar as it enables the country to fight for and consolidate its independence vis-à-vis imperialism. However, the logic of following the capitalist path of development sooner or later brings about a situation in which the contradiction between the bourgeoisie (which is generally allied with the landlords) and the people becomes primary and that between the bourgeoisie and foreign imperialism secondary. When this happens, state capitalism in alliance with foreign capital becomes a pure and simple instrument of oppression.

In any case it must be emphasized that capitalism cannot peacefully "grow into" socialism via state capitalism. The bourgeois state machinery, even under state capitalism, must first be *destroyed* by the working class and its allies before socialism can be successfully built.

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III

In India, planning and the institution of the public sector were the outcome of several factors that acted together. It must be clearly understood that the Indian ruling class did not innovate state intervention in India. The state's active intervention in the economy manifested itself in India long before independence. Railways, forestry, the manufacture of arms and ammunition, the generation and distribution of electricity were some of the outstanding examples of such intervention. There were even cases—e.g., in the (princely) State of Mysore—where some basic industries were owned and operated by the government. A contemporary author has correctly pointed out that "if India was not new to the institution of political democracy, she was not new to the methods of state enterprise either."[7]

The Indian bourgeoisie who, through their political organization, the Indian National Congress, had led the struggle for independence, wanted to develop India along an independent capitalist path. This most mature bourgeoisie in Asia outside Japan was very conscious of the economic difficulties faced by an underdeveloped country like India, and it was especially aware that private enterprise alone, given the meager financial and technical resources at its disposal, could not deliver the goods. It had two alternatives—either an increasing collaboration with foreign private capital or the intervention by the state in the economy at an accelerated pace.

As regards the first alternative, the Indian ruling class had great reservations about it on the morrow of independence. They apprehended that a massive invasion of the economy by foreign capital might jeopardize the very purpose for which they had fought, namely the independent capitalist path. So, though they welcomed foreign capital for rapid industrialization, it was proposed to introduce legislation to regulate the conditions under which foreign capital might operate. In particular, the government instituted an exceedingly slow, uncertain set of procedures for the case-by-case processing of applications by

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foreign enterprises for business licenses. Above all it was proposed that the major interest in ownership and effective control should always be in Indian hands.[8] On the other hand the foreign investors, particularly American investors, were at first doubtful about India's political stability and, quite mistakenly, apprehensive about the prospect of nationalization implied in the "socialist" postures assumed by the government of India. To them the prospects of investing in Canada and Western Europe seemed to be more alluring. "The result," as J. P. Lewis has pointed out, "was that until the late fifties the total inflow of foreign private capital into India was sluggish. The inflow of American private capital amounted to little more than a trickle."[9] The upshot of all this was that during the first decade of independence the Indian ruling class was quite willing to utilize the state apparatus to further the capitalist development of India in the interest of the capitalist class *as a whole,* even if this state intervention occasionally went against *particular* capitalists. Later on, of course, the ever deepening crisis of following the capitalist path led to a marked shift in the whole trend of foreign capital inflow, so much so that between 1957 and 1960, for example, the number of approved schemes of foreign technical collaboration and financial participation rose from 24 to 388.[10] But that is a different story.

Second, in the course of the anti-imperialist struggle the Indian bourgeoisie who, by and large, did not constitute a "comprador" class like its counterpart in pre-liberation China, represented, to a large extent, the genuine political aspirations of the broad masses of the people and was allied to them. The price of this alliance was the establishment of the institution of parliamentary democracy based on universal suffrage, and its economic counterpart was the "welfare state" with its inevitable concomitant in planning and extended public sector.

That the Indian bourgeoisie opted for a large public sector in the country is clear from Nehru's own testimony. Writing about the National Planning Committee—established by Subhas Chandra Bose in 1938—Nehru pointed out that big business

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constituted its largest single group. About the policies that it decided to pursue he said that

> while free enterprise was not ruled out as such, its scope was severely restricted. In regard to defense industries it was decided that they must be owned and controlled by the state. Regarding other key industries, the majority were of the opinion that they should be state-owned, but a substantial minority of the committee considered that state control would be sufficient. Such control, however, of these industries had to be rigid. Public utilities, it was also decided, should be owned by some organ of the state.[11]

That by opting for a public sector in the Indian economy, the Indian bourgeoisie precisely wanted to see capitalism develop is further proved by the fact that the so-called *Bombay Plan*—formulated in 1944 by J.R.D. Tata, G.D. Birla, and six other big capitalists—also provided for not only a large extension of state control but also a considerable extension of state ownership and management of the economy.

An examination of the *Industrial Policy Resolutions* of 1948 and 1956 shows that the state has agreed to step in only where private enterprise for various reasons cannot do the job alone.

The *Resolution* of 1948 was the first formal enunciation of the government's intentions regarding industrial policy. It asserted that "for some time to come, the State could contribute more quickly to the increase of national wealth by expanding its present activities wherever it is already operating and by concentrating on new units of production in other fields, *rather than on acquiring and running existing units.* Meanwhile, *private enterprise,* properly directed and regulated, *has a valuable role to play.*"* On these considerations the government decided that the manufacture of arms and ammunition, the production and control of atomic energy, and the ownership and management of railway transport should be the exclusive monopoly of the central government. As regards coal, iron and steel, aircraft manufacture, shipbuilding, manufacture of telephone, telegraph,

* Emphasis added.

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and wireless apparatus (excluding radio receiving sets and mineral oils), the state would be exclusively concerned with the new establishments, while existing undertakings would be allowed, with all facilities for expansion, to continue for the following ten years, at the end of which their position would be reviewed. The rest of the industrial field was normally open to private enterprise. There was, besides, a list of eighteen industries which would be subject to central regulation and control.

Looking closely at the *Resolution* one finds that the first category of industries meant no fresh nationalization; the *Resolution* merely codified what was already in effect and seemed self-evident. As Venkatasubbiah has aptly pointed out, no one expected a national government to hand the railways back to company management or to coax the Tatas and the Birlas to undertake the development of atomic energy. Nor could it make sense to allow private manufacture of armaments when the basis of state monopoly had already been laid by the British government in the 20-odd ordinance factories which fell in Indian territory after partition, and which were managed by the Defense Ministry.[12] The second and third categories, on the other hand, were saddled with reservations and exceptions, and these exceptions subsequently often became operationally more significant than the formal rules laid down by the *Resolution*. For instance, under "mineral oils" in the second category, government allowed three private foreign firms, Standard Vacuum, Burmah Shell, and Caltex to establish petroleum refineries in 1952. Then again, as regards iron and steel, late in 1953 when the government of India decided to establish a steel plant in collaboration with Krupp-Demag, the latter was to have a share of one third of its total investment and a corresponding share in the board of the company.

As regards the second *Industrial Policy Resolution* of 1956, it specified again three groups of industries. Group A included munitions, atomic energy, iron and steel, heavy engineering and heavy electrical plants, coal, oil, railways, mining, aircraft, air transport, shipbuilding, communications, generation and dis-

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tribution of electricity, "the future development of which will be the exclusive responsibility of the state." Group B included aluminum, machine tools, ferro-alloys, heavy chemicals, fertilizers, synthetic rubber, road and sea transport, "which will be progressively state-owned and in which the state will therefore generally take the initiative in establishing new undertakings, but in which private enterprise will also be expected to supplement the effort of the state." Group C comprised the rest, whose "future development will be left to the initiative and enterprise of the private sector." When one compares the two *Resolutions,* it becomes clear that apart from the *formally* more pronounced emphasis on the responsibilities of the state in the second *Resolution* there is really no material difference between them. While both envisaged increasing state participation in industry, both recognized its limits as well. As one observer has put it, "for all its socialist language, the second *Resolution* seemed to leave the public-versus-private issue almost as open as the first one had left it."[18] For example, oil was a state subject in terms of the *Second Resolution.* During the Second Five-Year Plan, however, a joint company, Oil India—a partnership between the Assam Oil Company and the government of India —undertook the exploration of the resources of Noharkatya oil field in Assam. Similarly, in West Bengal the government enlisted the services of the Standard Vacuum Oil Company.

In fact, a study of the implementation of the 1956 *Resolution* suggests that, wherever the private capitalists were found wanting, the state—on behalf of and in the interest of the capitalist class as a whole—stepped in to undertake the job. The big bourgeoisie itself seemed to accept the logic perfectly well. For example, at the time of the publication of the Third Plan document in August 1961, Karamchand Thapar, President of the Federation of Indian Chambers of Commerce and Industry, remarked that the Plan's allocation of resources between public and private sectors was "broadly similar" to that proposed by the Federation itself. Two years later, J.R.D. Tata, justifying his support for the projected Bokaro Steel Plant, said, "India's

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economy and the standard of living of our people cannot grow without additional steel and it is clear that the private sector, even if permitted to do so, would not be able to undertake on its own a program of expansion at an average rate exceeding a million tons of new capacity per year."[14]

It is also interesting to note that there is a striking resemblance between the strategy of industrial development as embodied in the above mentioned *Resolutions* and that of the government of India under British rule. Three important documents were issued in 1944-1945 on behalf of the Planning and Development Department (under the chairmanship of Sir Ardeshir Dalal) and the Reconstruction Committee (under the chairmanship of the Viceroy). They were the *First* and *Second Reports on Reconstruction Planning* and the *Industrial Policy Statement*. Particularly the *Second Report* envisaged a fifteen-year perspective plan and "a more detailed plan for the first five years," aiming, at the same time, at the elimination of the "existing glaring anomaly of immense wealth side by side with abject poverty." The *Industrial Policy Statement* classified industries into three categories: the first, including twenty major industries, was brought under the control of the central government; the second comprised industries of "national importance," namely, aircraft, automobiles and tractors, iron and steel, chemicals and dyes, transport vehicles, machine tools, electro-chemicals and non-ferrous metal industries, where provision was made for state ownership in the absence of adequate private capital; the third comprised the residual industries to be left to private enterprise but under various degrees of state control.

IV

The intervention by the state in the Indian economy was meant to serve mainly two purposes: first, to create conditions for the rapid development of the economy along the capitalist path; and second, to prevent excessive concentration and monopoly of economic power. This second purpose was dictated on the one hand by the exigencies of parliamentary democracy

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and on the other by the necessity of not alienating the small and the middle bourgeoisie from the big bourgeoisie. Thus this step was meant to serve the interest of the capitalist class *as a whole,* even though it might occasionally go against the interest of *particular* capitalists.

As to the first purpose of state intervention, namely, to carry forward the Indian economy along the capitalist path, it is proved specially by (a) the essentially capitalist character of state intervention itself, and (b) the phenomenal growth of the private sector during the planning period.

To illustrate the first point let us take into consideration some of the important acts of nationalization effected so far. If we consider the nationalization of air transport in 1953, the Imperial Bank in 1955, and life insurance in 1956 we see that each was undertaken with some specific objectives in view and none formed part of any concerted anti-private-enterprise strategy. The resources at the disposal of air transport were singularly insufficient for extending its services in India and abroad. That is why the state took it over, appointing, significantly, as its chairman no less a person than J.R.D. Tata, one of the top capitalists of the land. Then again, the necessity of having an extensive credit structure, well beyond the scope of the private money lenders, prompted the nationalization of the Imperial Bank. As regards the insurance business, some reforms were introduced by the Insurance Amendment Act of 1950, more or less on the same lines as the banking reform. The nationalization undertaken six years later affected only the life insurance business and that too was done partly in order to mop up savings for large industrial investments* and partly to clean up an industry which was inefficient and corrupt to such an extent as to invite the epithet "disgraceful" from the then Commerce

* According to a statement of the Minister of State for Finance of the government of India, the Life Insurance Corporation's total investment in the private sector as a whole stood at Rs.212 crores on March 31, 1969. Of this sum Rs.77 crores were invested in the first ten business houses of the country of which, again, the Tatas had the lion's share of Rs.26 crores. *The Statesman* (Calcutta), May 16, 1969.

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Minister, Mr. K. C. Neogy. As the nationalization affected only the life insurance business, some of the tycoons of the insurance world escaped practically unhurt. A. D. Shroff, the Chairman of the New India, for example, said that the profits of their life business being insignificant compared with those earned by their non-life business, nationalization would not gravely affect the profit-earning capacity of the company.[15]

It should be noted that none of these acts involved confiscation. Compensation in each case was generous. The valuation of the assets under the Air Corporation Act was such as to create a boom in air shares when the terms became known in 1953.[16] As regards the Imperial Bank, its former shareholders were given a preferential position in the allotment of shares open to public subscription after nationalization. The rate at which they were compensated was the average market value of the shares prevailing over the course of the year 1954. The basis of assessment of life insurance assets was also considered by businessmen as fair and reasonable.

The capitalist character of state intervention is further manifested in the manner in which the public undertakings have been organized in India.[17] These have been organized under four forms: Statutory Corporations, Government Companies, Departmental Undertakings and Committees, Boards and Commissions. Of these the Government Companies are the most important; they have been registered under Joint Stock Companies' Law and are governed by its provisions. This bias in favor of a form so common in private undertakings is significant. Moreover the members of the boards of directors of these public undertakings are almost exclusively drawn from among persons holding high positions in the bureaucracy—which on the whole continues the British tradition—and from big business magnates. Needless to add that there is no question of workers' participation at any stage of management or decision-making in these undertakings.

Of course the character of state intervention can never be a phenomenon independent of the character of the state itself.

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Thus the capitalist character of state intervention in India follows logically from the fact that state power in India belongs essentially to the capitalists (in alliance with the landlords).

Apart from the question of the character of state intervention the share of the state itself in the economy need not make one enthusiastic, as the following figures illustrate:

TABLE II
GOVERNMENT SHARE IN THE GENERATION OF NET DOMESTIC PRODUCT
(*Crores of rupees in current prices*: *percentage in parentheses*)

Year	Net Output of Govt. Sector *Enterprise*	*Administration*	*Total*	Total Net *Domestic Product*
1948-49	240 (2.8)	400 (4.6)	640 (7.4)	8670
1950-51	290 (3.0)	430 (4.5)	780 (7.5)	9550
1955-56	420 (4.2)	570 (5.7)	990 (9.9)	9980
1960-61	570 (4.0)	900 (6.4)	1470 (10.4)	14190
1961-62	600 (4.0)	1000 (6.7)	1600 (10.7)	14870
1962-63	670 (4.3)	1170 (7.6)	1840 (11.9)	15480

Source: *India, 1966,* Publication Division, Ministry of Information and Broadcasting, Government of India, 1966, p. 150.

These figures show that toward the end of the Third Plan period almost nine tenths of the domestic product was still accounted for by the private sector and that the share of the government rose by only about 4 percent over a period of fifteen years. If we look at the table a little more closely and concentrate on the share of the government in enterprise—a much surer sign of control over the economy—the picture becomes even less encouraging. Here the growth of the government share over fifteen years was less than 2 percent, and there was even a mild regression during the Second Plan period.

There is also another disturbing phenomenon—the dwindling share of national resources in the investments made by the state, as the figures show in Table III (See page 28).

"Thus," as Professor Bettelheim rightly points out, the utilization of the state apparatus for increasing the amount of investments has enabled India to obtain increasing foreign help toward public investments."[18]

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TABLE III
FINANCING OF PLAN OUTLAYS IN THE PUBLIC SECTOR
(*External assistance as percentage of total outlays*)

1951-56 (1st. Plan)	1956-61 (2nd Plan)	1961-66 (3rd Plan)	1966-67	1967-68
9.6	22.5	28.5	36.9	44.9

Source: Planning Commission, as given in *Records and Statistics, Quarterly Bulletin of the Eastern Economist*, November 1968, p. 49.

Very significant also is the fact that the private sector has grown phenomenally over the entire planning period. What is more, this growth has been facilitated by the activities of the public sector. Particularly the public sector outlay on infrastructural assets provided the private sector with new markets, and those assets themselves helped create external economies for the private sector. As an ex-Cabinet Minister pointed out: "A phenomenal rise in private investment in fifteen years of planning . . . was made possible due to complementary infrastructure investment in the public sector. The private sector could not have achieved the expansion that it has but for the public sector investment in economic overheads and heavy industries."[19] What is the extent of the growth of the private sector? The paid-up capital of joint stock companies rose as shown in Table IV.

TABLE IV
(*Crores of rupees*)

Year	*Amount*
1947	480
1948	570
1951	760
1955-1956	1024
1962-1963	2256

Source: (1) *Commerce*, December 9, 1961; (2) B. V. Krishnamurti in *Economic and Political Weekly*, May 27, 1967.

The index of industrial profits (before tax) of public limited companies rose from 100 in 1955-1956 to 185.8 in 1962-1963, and the corresponding index for private limited companies from 100 to 303.8.[20] In the course of the fifteen years

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of planning there has been a spectacular increase in industrial production in the private sector, as the figures for some selected items show in the following table:

TABLE V

Commodities	*1950-51*	*1965-66*
Cloth (mill made, power loom, hand loom —million meters)	4318	7580
Aluminum ingots (thousand tons)	4.0	65.0
Sugar (thousand tons)	2040*	3515†
Bicycles (thousands)	99	1700
Jute manufactures (thousand tons)	1046*	1120†
Cement (million tons)	2.7	10.8
Sewing Machines (thousands)	167*	411†

* 1957.
† 1966.

Source: (1) *Fourth Five-Year Plan: A Draft Outline* (Government of India); (2) *Eastern Economist*, Annual Number, 1968.

An important way in which the state has helped the private sector has been through the setting up of a series of financial institutions for extending long-term credit to big industries. Towards this end the Industrial Finance Corporation was set up by the Government of India in 1948 with an authorized capital of Rs. 10 crores. The industries that have mainly benefited from this are textiles, sugar, paper, cement, chemicals and fertilizers, metals and metal products, machinery, motor vehicles. Since 1960 the corporation has been empowered to subscribe directly to the shares of an industrial concern. The State Finance Corporations were established by the government of India in 1951 to supplement the IFC. Besides helping small and medium industries, they also help large industries. In 1967-1968 the loans and advances sanctioned by these corporations amounted to about Rs.20 crores. The National Industrial Development Corporation was established by the government of India to develop industries and to act as an agent of the government for granting loans to an industry that the government desired to assist. The modernization of the cotton and jute tex-

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tile industries and the expansion of the machine tool industry have been the principal work of the corporation. These three industries together accounted for over Rs.30 crores from the corporation by 1964. Thus it seems that the following characterization by an officially appointed committee seems perfectly justified:

> It is evident that the working of the planned economy has contributed to [this] growth of big companies in Indian industry. The growth of the private sector in industry and specially of the big companies has been facilitated by the financial assistance rendered by public institutions like Industrial Finance Corporation, National Industrial Development Corporation, etc. . . . . Government policy during the plan period has been responsible in other ways as well for the growth of the private sector and in the process specially of big companies. In addition to affording a protected market and the necessary overhead facilities and maintaining a budgetary policy with a mildly inflationary situation favorable to industry, the government has been promoting the growth of private industry by extensive tax incentives.[21]

This development is not surprising. Even in 1956 when the propaganda about the "socialist pattern" reached its high-water mark the government showed no consistent hostility to the private sector. Some time after the passage of the *Second Industrial Resolution,* Nehru told the Lok Sabha (lower house of Parliament) on May 25, 1956:

> I have no shadow of doubt that if we say "lop off the private sector" we cannot replace it adequately. . . . Let the state go on building up its plants and industries so far as its resources permit. Why should we fritter away our energy in pushing out somebody who is doing it in the private sector? . . . You must not only permit the private sector but, I say, encourage it in its own field.

Since 1956 the government has grown more and more "pragmatic," to use its own expression, in its attitude to the private sector. As regards the controls over the private sector, some of them have been relaxed lately. Liberalized imports and the exemption of certain industries from the requirement

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that new enterprises must have a government license furnish examples of one type of relaxation. Thus eleven industries were delicensed in May 1966, following the recommendations of the Swaminathan Committee. At the same time many direct controls on prices, production, and distribution have been relaxed or lifted.[22] Then there is the liberal interpretation of the *Industrial Policy Resolution* itself. For example, the Third Plan document, while saying that "the expansion of industries will continue to be governed by the *Industrial Policy Resolution* of 1956," immediately tries to water it down when it says that

> as in the Second Plan, the roles of the public and private sectors are conceived as supplementary and complementary to one another. For example, in the case of nitrogenous fertilizers where the public sector has already assumed a dominant role, it is envisaged that during the Third Plan the private sector will enter the field in a bigger way than in the past. . . . In the case of pig iron, policy has been relaxed to allow the establishment of plants in the private sector with a maximum capacity of 100,000 tons per year as compared to units of 15,000 tons permitted so far. Programs for the manufacture of dye-stuffs, plastics, and drugs in the private sector will be largely complementary to the program for the manufacture of primary aromatic compounds as by-products at the steel works and of organic intermediates to be undertaken in the private sector.

As an American observer has remarked, "Part of this new 'pragmatism' simply restates the fact that the private business community, whatever the rhetoric of the moment, always has been substantially represented within the Nehru government and the Congress Party."[23] Kidron has shown how the government has condoned the growing encroachment of the private sector into spheres reserved for the public sector by the *Second Industrial Policy Resolution.*[24] Of the seventeen industries listed in "schedule A" of the *Resolution,* "industries the future development of which will be the exclusive responsibility of the state [and in which] all new units will be set up only by the state," seven at least have been opened to private interests. These are (1) arms, (2) heavy plants and machinery, (3) heavy electrical

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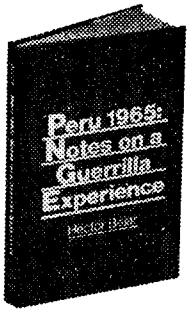

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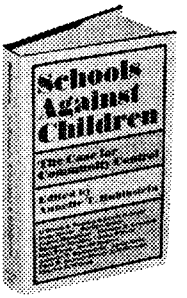

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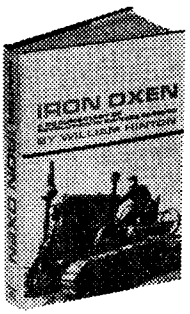

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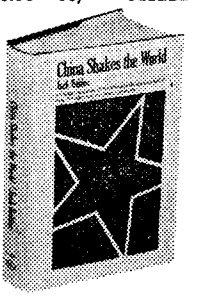

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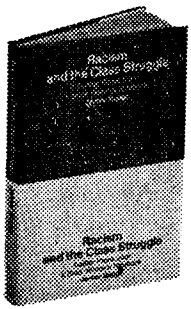

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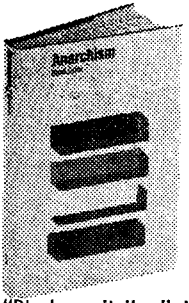

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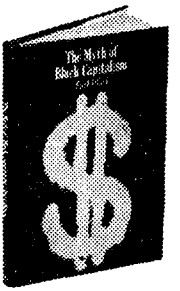

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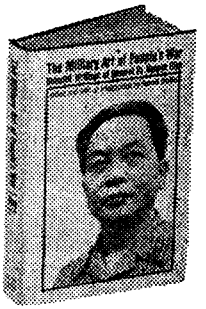

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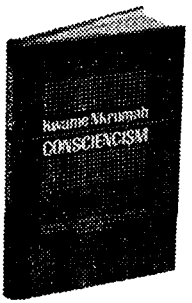

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plant, (4) the processing of lead and zinc, (5) the production of telephone cables and telegraphic equipment, (6) the generation and distribution of electricity, (7) coal. The greatest shift towards the private sector took place in "schedule B" industries which, by the terms of the 1956 *Resolution,* were to be "progressively state-owned and in which the state will therefore generally take the initiative in establishing new undertakings." Of the twelve industries listed, at least nine have been heavily invaded by the private sector. These are (1) aluminum, (2) machine tools, (3) ferro-alloys and tool steels, (4) basic chemicals and intermediates, (5) antibiotics and other essential drugs, (6) fertilizer production, (7) synthetic rubber, (8) road transport, (9) sea transport. Quite logically Nehru told the 1962 session of the Federation of Indian Chambers of Commerce and Industry, that "private enterprise is a good thing. The suppression of private enterprise was bad." No wonder the spokesman of the Indian big bourgeoisie can say that "the final objectives of the government and the business community are the same. Maybe our approaches for achieving these objectives are different. But even these differences are not basic. . . . We shall fully cooperate with the government in the great endeavor of nation building."[25]

Turning to the second purpose of state intervention, namely, to prevent—in the interest of the capitalist class *as a whole*—excessive concentration and monopoly of economic power, we note at the outset that this motivation as such has nothing to do with socialism. Anti-monopolist measures are to be found in almost all capitalist countries. In his address to the 33rd Annual Session of the Federation of Indian Chambers of Commerce and Industry in 1960, Nehru himself said that "not to encourage monopoly is a common matter, common thing not confined to socialistic thought. Even modern capitalistic thought is opposed to monopoly."

However, state intervention in India had very little negative effect on the growth of concentration and monopoly. Thus, as R. K. Hazari has shown, the four largest groups of capitalists

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—Tata, Birla, Martin Burn, and Dalmia Sahujain—who had nearly 18 percent of the share capital of non-government public companies in 1951, had more than 22 percent in 1958. Their share in the gross capital stock (net fixed assets plus accumulated depreciation plus inventory of non-government public companies) expanded during the same period from 17 to 22 percent. In 1958 the public companies in the Tata and Birla complexes had nearly one fifth of the gross capital stock of all non-government public companies.[26]

In 1960-1961 the total number of companies having paid-up capital of less than 5 lakhs of rupees* each constituted 86 percent of the total number of companies at work during that year, but their share of total paid-up capital was only 14.6 percent; as against this the companies having a paid-up capital of 50 lakhs and above constituted only 1.6 percent of the total number of companies but claimed 53 percent of the total paid-up capital.[27]

The Monopolies Enquiry Commission listed, as of 1963-1964, the top 75 groups of monopolies like Tata, Birla, etc., each having a minimum asset of rupees five crores. These groups owned 1536 companies out of a total of non-government and non-banking companies numbering 25,661. But the proportion of the assets of the 75 groups to those of all non-government and non-banking companies worked out at 46.9 percent, and the proportion of the total paid-up capital of these groups to that of all non-government, non-banking companies worked out at 44.1 percent.[28]

From a slightly different angle the same phenomenon of concentration of economic power, with special reference to the extreme inequality in income distribution, has been conclusively shown by a contemporary Indian author. After a careful study of the relevant data he has shown that under the Indian "Power Elite Planning"—by which he means planning by the Ministers, the top bureaucrats, and organized big business—0.3 percent

* One lakh = 100,000.

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of the urban population (0.06 percent of the country's total population) having a fabulous standard of living control the entire course of economic development of the country. Two percent of the urban population enjoy a comfortable living, 12.1 percent live just above bare subsistence, and the rest below subsistence. Similarly 0.9 percent of the rural population (0.72 of the total population) enjoy a fabulous living. They serve to mobilize the agricultural surpluses of another 12.2 percent. The rest live below subsistence.[29] Needless to add that all this cannot be the hallmark of a socialist society or a socialist pattern of society.

V

As we have pointed out above, given the conditions of economic backwardness in which an underdeveloped country finds itself at the hour of its emergence from colonial dependence, some amount of state intervention in the economy followed by the creation of a nationalized sector is indispensable for its economic development. Such a step is even progressive if, besides creating the conditions of rapid capital accumulation, it helps to fight feudal and semi-feudal production relations, monopoly capitalism, and imperialism. Only then can we speak of the nationalized sector serving the interests of the nation as a whole. Otherwise the nationalized sector, through state capitalism, only serves the interests of the ruling capitalist class as a whole and its national and international allies. Whether the state intervention takes the first or the second form depends basically on which class wields state power and what is the nature of class contradictions prevailing at a given time.

In India state power, ultimately and on the whole, lies in the hands of the capitalist class (in alliance with the landlords). Given the relative weakness of this class, even though it is the strongest and the most mature in Asia outside of Japan, and the fast-sharpening class struggles inside the country as well as the contemporary international situation, more

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particularly the triumph and consolidation of the Chinese Revolution, this class cannot pursue the logic of independent capitalist development however much it might *subjectively* want to. The reason is that in the given circumstances the contradiction between the capitalist class and the people—mainly the working class and the peasantry—has become primary and that between the capitalist class on the one hand and the semi-feudal interests and imperialism on the other is secondary; naturally, faced with increasing hostility of the working class and its allies, the bourgeoisie cannot afford to alienate itself from the landed vested interests at home and imperialism abroad. In a word the bourgeoisie cannot successfully carry out the basic anti-feudal and anti-imperialist tasks which the pursuance of independent capitalist development demands. This is amply reflected, on the one hand, in the compromising character of its so-called "land reforms"—signifying its failure to implement what it itself promised earlier—and, on the other, in its increasing dependence on foreign aid including foreign investments. Here we must point out that the massive and ever-increasing Soviet economic and military aid is not, unfortunately, proving capable of changing the political orientation of the Indian ruling class. The latter is, in fact, utilizing this aid to strengthen its bargaining position, in order to extract larger aid from the imperialist—mainly American—sources. Worse yet, through its aid to India the Soviet Union is in effect strengthening the position of the Indian ruling class even at the cost of the emerging revolutionary forces inside the country. Needless to add that this policy fits in perfectly with the Soviet Union's global strategy of isolating China.*

* Maintaining the *status quo* in India in the interests of Soviet diplomacy and much to the detriment of India's revolutionary cause is, however, no new policy of the Soviet leadership. Just to give one example, in 1955 on the eve of the crucial February elections in Andhra, *Pravda* came out with an editorial (on January 26, 1955) praising the Nehru government not only for its foreign policy but also for its domestic policy. The Congress leadership fully utilized this editorial by reprinting it in thousands of leaflets and distributing them all over the state, creating great confusion among the Communists and their supporters.

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In the circumstances, as we have tried to show above, the state capitalist sector, instead of serving the interests of the people as a whole really has become an instrument of exploitation for the domestic and foreign monopoly capitalists and their allies. Indeed, the Indian ruling class is neither following the socialist path nor the so-called "non-capitalist" path of economic development. It is trying to follow the *capitalist* path, though haltingly and increasingly compromising itself at every step with the semi-feudal elements at home and imperialism abroad.*

* The recent bank nationalization measure undertaken after the completion of this paper in no way invalidates its central thesis. In the context of the increasing radicalization of the Indian people and the utter discredit in which the Congress Party has fallen since the 1967 elections, the ruling class badly needed the creation of new illusions of "progressiveness." Secondly, as the Prime Minister herself emphasized in her broadcast on the occasion, what the government was doing was nothing new, not only because it was "a continuation of a process which has long been under way" but also because bank nationalization had been undertaken by what she called "non-socialist" countries. She added that the measure was necessary to "mobilize adequate resources for development"—understandable in the context of increasing difficulties of the ruling class in mobilizing resources within the confines of existing property relations—and that the measure would offer credit facilities to agriculture, export, and small scale production—thereby, in other words, trying to widen the basis of capitalism in India in the interest of the capitalist class as a whole. Needless to add, the measure—which did not touch foreign banks—evoked no serious opposition from the Indian bourgeoisie.

NOTES

1. *Fourth Five-Year Plan — A Draft Outline* (Government of India), p. 11.
2. S. J. Patel, *The India We Want* (Bombay: Manaktala, 1966), p. 144.
3. *Wealth of Nations,* Cannan edition (London: Methuen), vol. 2, p. 245.
4. *Anti-Dühring* in Marx-Angels *Werke* (Berlin, 1962), vol. 20, p. 258. See also Engels's insertion in *Capital,* Kerr ed., vol. 3, pp. 518-519.
5. *Anti-Dühring, ed. cit.* p. 260.
6. Specially in his pamphlets, *Impending Catastrophe and How to Combat It* (1917), *"Left-wing" Childishness and Petty-Bourgeois Mentality* (1918), *Tax in Kind* (1921), and in the article "On Cooperation" (1923).
7. Venkatasubbiah, *Indian Economy Since Independence,* 2nd ed., 1961, p. 89.
8. See the *Industrial Policy Resolution* of 1948 and Nehru's statement in Parliament on April 6, 1949.

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9. *Quiet Crisis in India* (Washington, 1962), p. 211. See also M. Kidron, *Foreign Investments in India* (Oxford, 1965), ch. 3 *passim*.
10. From a speech by the Chairman, Governing Body of the Indian Investment Centre, New York, on October 2, 1961, cited by J. P. Lewis, *op. cit.*, p. 213.
11. *Discovery of India* (Meridian Books Ltd.), 4th ed., p. 404.
12. *Op. cit.*, ch. 4.
13. A. H. Hansen, *The Process of Planning* (Oxford, 1966), p. 463.
14. Statement to the Annual General Meeting on August 23, 1963.
15. Cited in Venkatasubbiah, *op. cit.*, p. 111.
16. See M. Kidron, *op. cit.*, p. 135.
17. This point is highlighted by Dr. Gyanchand in his *Socialist Transformation of the Indian Economy* (Bombay, 1965), pp. 210-212.
18. Charles Bettelheim, *India Independent* (New York: Monthly Review Press, 1968), p. 154.
19. Manubhai Shah in *Eastern Economist*, July 21, 1967.
20. B. V. Krishnamurti in *Economic and Political Weekly*, May 27, 1967.
21. *Report of the Committee on Distribution of Income and Levels of Living* (Government of India, Planning Commission, 1964), pp. 30-31. Cf. D. R. Gadgil (currently Vice-President of the Planning Commission): "Cumulation of gains and the rapid increase of economic resources and power in particular private hands can be described as a deliberate objective of official policy." *Planning and Economic Policy in India* (Poona: Gokhale Institute of Politics and Economics, 1962), p. 241.
22. See R. K. Hazari, *Industrial Planning and Licensing Policy* (1966), pp. 15-16.
23. J. P. Lewis, *op. cit.*, p. 208.
24. M. Kidron, *op. cit.*, pp. 143 ff.
25. G. M. Modi, President of the Federation at its 42nd annual session (1969).
26. R. K. Hazari, *The Structure of the Corporate Private Sector* (Asia, 1966), p. 305.
27. *Report of the Committee on Distribution of Income and Levels of Living* (1964), p. 30.
28. *Monopolies Enquiry Commission Report* (1965), pp. 121-122.
29. B. V. Krishnamurti in *Economic and Political Weekly*, May 27, 1967.

For twenty-five hundred years, people have been treating the problem of selfishness vs. social-mindedness as if it were purely theoretical. And they have been reaching no answers. They have failed. They have failed, because the problem is not in fact theoretical but practical. Its solution lies not in the construction of new ethical philosophies but in the creation of a new society.

—Barrows Dunham, *Man Against Myth*

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DICTATORSHIP SUPPORTED BY THE PEOPLE

AN INTERVIEW WITH JUAN BOSCH

The interest aroused in the Dominican Republic by Juan Bosch's position on "dictatorship supported by the people," as stated in an article in the Dominican magazine *Ahora*, reveals clearly the public sympathy that the former president still enjoys as well as the extreme politicization of the masses since the April 1965 revolution. However, with six months to go before the presidential elections, the candidates are frantically active in their efforts to prevent President Balaguer's re-election. "Dictatorship supported by the people" has provoked violent disagreement within Bosch's Dominican Revolutionary Party (PRD) itself, where moderates and radicals are pitted against each other. Before his departure for North Vietnam and China, the former Dominican president, currently living in Paris, agreed to answer Claude Kiejman's questions.

Jeune Afrique. Will you be the PRD candidate in the 1970 presidential elections?

Juan Bosch. No. Furthermore, I will never play the electoral game again, because I no longer believe in representative democracy. In a country like ours it is impossible, totally subjected as we are to the United States and to continually increasing abuses of police power. I repeat: I am not a democratic leader, and my presence in Santo Domingo on a given date is not necessary.

This is a translation of an interview which appeared in *Jeune Afrique* #460, 22-28 October, 1969, and is reprinted by permission. Juan Bosch was chosen president of the Dominican Republic in free elections in 1962 and overthrown by a military coup in 1963.

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Jeune Afrique. Would you explain the implications of the principle of dictatorship supported by the people?

Juan Bosch. It is difficult to sum up in a few sentences, but I shall try to describe its general outlines. I proceed from the premise that there is no truly bourgeois national class in the Latin American countries and that none of our countries has time to form one. Now, representative democracy is precisely the bourgeois system.

Our countries are led by "oligarchic fronts," in which the driving force is the United States. These fronts are made up of several sectors: *latifundistas*, import-export traders, bankers, the three levels of the petty bourgeoisie from which state employees are recruited, and an important part of the armed forces. Until 1965 the clergy formed a part of these fronts, but since then many Latin American priests have been leading a revolutionary struggle.

However, I repeat that the most dynamic element within these fronts is the United States, which does not hesitate to intervene with all its strength. It is, above all else, against [the United States] that the various sectors of the people must struggle. The Latin American countries today are undergoing a crisis of dramatic proportions: a runaway population increase and a Gross National Product that is diminishing daily; more than 100 million people undernourished and chronically unemployed; a foreign debt that is increasing so rapidly that we are fast reaching the time when the dollars we produce will not be sufficient to pay the interest on our debt.

Latin America has entered a period of struggle. Without even speaking of Cuba, look at what is happening in Peru, Colombia, Santo Domingo, Bolivia, and finally Brazil where the government is unable to resolve tremendous problems and where, in order to follow the policy dictated by the United States, three coups d'état in three years have been necessary.

Jeune Afrique. Do you think that dictatorship with popular support should be established through armed struggle?

Juan Bosch. I believe that it must be established by whatever

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means necessary. (Bosch refused to answer this question more precisely, inasmuch as he is not in the Dominican Republic and other members of the PRD might be victimized.)

Jeune Afrique. Will it be established by violence?

Juan Bosch. By violence. There is no other solution. Otherwise, the United States will never abandon its privileges, the best proof being its intervention in the Dominican Republic in 1965 with 42,000 "marines," against a typically bourgeois revolution. The Alliance for Progress and Rockefeller's speeches are mere words for the purpose of lulling public opinion. The United States has no policy; it has interests.

Jeune Afrique. What do you think of the Peruvian experience?

Juan Bosch. It is positive, up to a point. But I believe that the present goal of the Peruvian revolution is the formation of a national bourgeoisie. If that is the goal, the experience will end in failure. If that is not the goal, it must continue to become more radical.

Jeune Afrique. If you no longer believe in elections, what solution do you foresee?

Juan Bosch. Revolution made by the people.

Parliamentary democracy is the fig-leaf of bourgeois authoritarianism.
—Wilhelm Liebknecht

Twenty-five years ago it was thought contemptible to be called a socialist. Today it is ridiculous not to be one.
—Dr. Norman Bethune, 1939

Elections are nothing but a thermometer for the ruling class to gauge the people's level of awareness.
—Carlos Marighella

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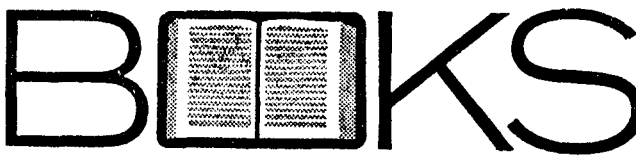

THE TWILIGHT OF THE GODS

BY KEITH BUCHANAN

L'empire américain, by Claude Julien. Paris: Grasset, 1968.

For some years now this reviewer has been teaching a course on the geography of underdevelopment. It's become increasingly clear to him that it is not sufficient simply to analyze the manifestations of underdevelopment in Latin America, Africa, or Asia, and that to give coherence to the course and provide an understanding of the whole phenomenon of underdevelopment it must have its starting point in the developed societies of the Euro-American world. Development and underdevelopment are sides of the same coin and it is in the rise of the developed societies, in their political and economic expansion, and in their looting of the homelands of two thirds of their fellowmen, that we have to seek the explanation for the grinding poverty and the subhuman quality of life which today characterize the nations of the Third World.

The mechanisms of the "classical" or "paleo-colonial" empires such as those of England, France, or Holland certainly served to enrich the metropolis and initiated the process of underdevelopment in the colonial territories—but the machinery of exploitation developed by paleo-colonialism was cumbersome and restricted in its geographical range. And just *how* inefficient and *how* limited

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it was does not become apparent until we compare it with the complex machinery developed by the United States for the exploitation of its "empire without frontiers," the neo-colonial empire which it built up from its modest beginnings in the Caribbean two generations ago. The relationship of paleo-colonialism to neo-colonialism is like the relationship of a First World War aircraft to the B-52s now devastating Vietnam—and this comparison extends not only to the efficiency of the machinery and its operational range but also to its costs of operation and the destructiveness of its impact. The particular value of Claude Julien's study lies not so much in its impressive documentation (for much of the material will be familiar to readers of MR) as in the way he utilizes these facts to demonstrate the functioning of an exploitative machine unique in human history, a machine which enables six percent of the world's population to control almost one half of the world's resources, a machine whose operations explain more than any other single factor the continuing pauperization of two thirds of humankind.

One half of the volume deals with the historical evolution of the American Empire. Perhaps this is necessary for those of us who dwell in some of the outer fiefs of empire; for Americans it may seem excessive. Nevertheless these historical sections are important, for they demonstrate the disreputable antiquity of some of the empire-building techniques still popular with American politicians: the identification of the divine interests on earth with those of America (John Adams beat Cardinal Spellman and the Kennedys by two centuries on this one*); the careful blending of truth with lies and exaggerations, infused with a Manichaeist view of the world (perfected by politicians and the Hearst press two generations ago); the policy of proclaiming a "doctrine" which marks the scope of American interests and the sweep of their intentions (Monroe Doctrine, followed by those of Truman and Eisenhower); the repudiation by incoming presidents of the devious and dastardly policies of their predecessors—followed by an indecently hasty espousal of these very policies. As Julien puts it: "Going back, we are thus plunged into the heart of contemporary problems."

The second half of the book dissects the American Empire today—the economic empire, the military empire, the cultural empire, and the CIA ("in the service of the Empire"); and in the

* Julien observes, with a certain irony: "Many would judge it a formidable task to have to accomplish on Earth the work of God. Fortunately, American democracy is, better than any other political system, prepared to carry out this task."

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course the problems of governing the Empire are acutely analyzed. The fragmentation of the subject matter which this chapter structure might involve is carefully avoided; rather does Julien's treatment set in high relief one of the dominating features of American imperialism—the close intermeshing of economic, military, and cultural policies. And he emphasizes the well-worn American view that, while other empire-builders were animated by such despicable motives as profit-making or influence-seeking, those who built the U.S. Empire were animated, if not always by religious fervor, at least by a lofty idealism. Indeed, as he shows, this may have sometimes been partly true; the trouble for humanity, and the Americans themselves, is that the architects of Empire tended to assume that what was good for Big Business was also that which was pleasing in the sight of the Almighty. Most often this was, and is, a dubious assumption.

The intermeshing of economic and military policy in the Third World is closely documented. Without military protection capital would not be invested in "exposed" areas; at the same time, because of the need for raw materials, the economic penetration of the poverty-stricken, unstable, but resource-rich areas of the Third World is essential for the military security of the United States. The *modus operandi* of the Empire is illustrated from Latin America where economic and political control rests on a policy compounded of (1) the Monroe Doctrine (as in the Cuban missile crisis), (2) the Rooseveltian "big stick," (3) "dollar diplomacy," (4) the "Good Neighbor" policy, (5) the Alliance for Progress which makes some sort of synthesis of these disparate elements, and (6) the OAS which can be relied on to rubber-stamp most of the decisions of the Pentagon or the White House. A complex mechanism, the result of devious decisions in response to diverse (and often dubious) pressures but one which ties the Latin American economy firmly into the American Empire.

The economic empire provides the basis for the "society of abundance" enjoyed by a portion of that one seventeenth of humanity which is American and at the cost of the pillage of the dependent territories. This pillage of the Third World is set by Julien into its world context, as one element in a modern version of the old Triangular Trade: very high profits on investments in the Third World provide the funds which are making possible an increasing economic colonization of Europe (and of at present less profitable areas such as Africa or Oceania) which in turn strengthens the global economic control of U.S. business. Two major

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problems do emerge, however: first, the conflict with other capitalist groupings (especially where economic and security issues are involved, as was the case in the conflict with French nickel interests); second, the fact that the assertion that U.S. levels of affluence are within the grasp of whoever adopts the U.S. system is belied by the limited known supplies of certain critical resources.

The size of the military machine which protects and is nourished by this economic empire is indicated by the fact that the U.S. military budget is greater than the total national income of the Chinese People's Republic. The link between industry and military spending is demonstrated by the fact that four fifths of aircraft output is absorbed by the military and three fifths of the output of the telecommunications industry; the local significance of the military budget by the fact that 30 percent of those industrially employed in Kansas are dependent on the Pentagon's open-handed spending, 24 percent of those in New Mexico, 23 percent of those in California. The aggregate assets of the military machine are, Julien points out, three times as great as those of the five biggest U.S. corporations combined; its role as an economic stabilizer is clear if we bear in mind that should it ever go out of business the Pentagon would have to dump 5.1 million civilian employees. From the economic point of view *real* peace is a spine-tingling horror.

The empire consumes not only material resources but also brains; both the economic and military empires depend on a continuing inflow of foreign scientists. Between 1962 and 1966 some 60,000 highly skilled immigrants entered the United States and 22,000 of these came from the underdeveloped countries. This drain impoverishes the countries the United States claims to aid but is essential to maintain America's economic and military position. Other countries sometimes protest, but this is because they are motivated by a mean-minded and narrow nationalism; Americans, on the other hand, Julien observes dryly, "know that U.S. nationalism is the highest form of liberal internationalism." And if the other developed nations and the Third World lose their best brains, the cultural flow is not entirely in one direction, for the United States exports films, TV programs, and masses of literature which set out the quintessential virtues of the American Way of Life. Americans do not, however, point out that this rests upon the most ruthless techniques of exploitation history has witnessed; perhaps they overlook this, for otherwise it is difficult to understand their consternation when the damned and disinherited, exposed to the full blast of this cultural offensive, react

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by burning USIS libraries, by violence, and by incomprehensible rudenesses to the uncomprehending princes of the Empire. But, as the paleo-colonial empires showed, all empires contain the seeds of their own decay, and those shaped to serve imperial ends may often be the spearhead of the force which ultimately shatters the empire's structure.

The real strength of the American Empire, as of the English Empire in its heyday, lies in "the profound cohesion of a system whose basic principles are never really challenged." This situation was shattered by the Vietnam war and today the basic weaknesses of the structure are being exposed; they are both internal and external. Internally, the race conflict underlines the gap between dream and reality and is weakening the Empire from within; externally, the growing impoverishment of those who believe they too have a "right to the pursuit of happiness" expresses itself in increasing violence and instability, in the growing spread of guerrilla war in the Empire's dependent territories. Neither the internal nor the external struggle is entirely military: both represent a conflict of values, a conflict of civilizations. The struggle for or against the Empire is a struggle for or against a society of consumption which makes it possible for 6 percent of the world's population to absorb half the world's resources. And whoever dwells in the metropolis must become increasingly aware that the affluence he enjoys rests on the misery and hate of most of mankind; that this hate—and the determination to create a more human world—flickers somberly in the guerrilla outbreaks throughout the Third World; that here or there a *foco* may be extinguished, but that the struggle will go on. And turning inwards and contemplating his own immediate environment, he will see increasingly that this vast machinery of empire has created not a paradise, but a hell of tensions, injustices, hypocrisies, neuroses, and violence. The nineteenth-century dream dissolves; new forces are arising in the darkness of the twentieth century, new contradictions of which the builders of empire never dreamed. The rulers of the Empire, says Julien, "know that the Empire has not yet reached its zenith but that, because it has perverted the American ideal, it is already headed for its decline."

This is the analysis of an outside observer, an observer whose writing is informed by that specifically French combination of humanity and lucidity and who draws from his analysis certain broad guidelines for the future of his own continent. And to those in Europe who have been sold on the American dream, who believe that by adopting U.S. methods Europe could attain U.S. levels of

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living, Claude Julien offers an alternative vision. Europe, he says, must recognize that the raw materials on which an American-style civilization depends are simply not available, that American wealth has been achieved by perpetuating the poverty of the Third World. Europe, he claims, "cannot, in material terms, follow the American example and has no interest in so doing." Her future lies not in artificially stimulating a society of consumption (based on the accelerated pillage of the Third World) but in showing that economic expansion can be achieved by other means: by increasing provision of those things (education, leisure activities, and the like) needed to provide a balanced and richer life, and by expanding her industry to meet the immense and growing needs of the Third World. By adopting such a different role, by ceasing to be an accomplice of the United States, by showing that in the economic relationships between an advanced continent and the Third World there is an alternative to the predatory pattern perfected by America, Europe could contribute to undermining the whole foundation on which the American Empire rests. The vision is a seductive one—and it overlooks a fundamental reality which was stressed almost a decade ago by the French sociologist Georges Balandier: that within a "liberal" or "free-enterprise" system "the centers of power [i.e., the Atlantic bloc] can maintain their dynamism only by accentuating the 'depressed' character of the weaker zones to which they are related." The relationships of the EEC to the countries of the Third World have since demonstrated the truth of Balandier's dictum; the "multi-national colonialism" of Social-Democratic or Christian-Democratic Europe may be more sophisticated and less blatant than the colonialism of Democratic or Republican America. But it is no less predatory, no less destructive, as far as the Third World is concerned. A new pattern of socio-political relationships between the developed and the dependent territories of the globe demands, as Balandier recognizes, what he termed (perhaps euphemistically) "mutations" in the developed countries. The failure by Julien to recognize the implications of this reality—that such mutations would certainly be opposed by the U.S.A., leaving Europe the choice between the role of a tolerated "sub-imperialism" or an active alignment in the anti-imperial struggle—introduces a fatal flaw into the closing sections of an otherwise admirable book.

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CORRESPONDENCE

ON FUTURE DEVELOPMENTS IN THE COLLEGE LEFT

Over the past half-dozen years, college radicalism has been a crucial force in the revitalization of the American Left. Its swelling numbers, its vitality, and its brashness have contributed to a level of political commitment and activism that too long had been lacking. But now there is a feeling among observers close and distant, that college radicalism in America is pointed toward trouble. It is not really something that one can put a finger on, but it is there nevertheless—a mixture of weariness, frustration, and impatience that seems to be directing college radical activity away from its past undertakings. The change seems to have begun last spring in the second go-around with the university and has grown enormously after SDS's fratricidal battles in Chicago last June. Indeed, the RYM II-Weatherman fracture is usually pointed to as an illustration of this shift. However, this is at best only an extreme and partial characterization of recent developments on the campuses themselves, especially since national SDS has consistently been moving further away from college radicalism.

The change of mood, of course, varies from campus to campus, reflecting the differing levels of consciousness, theoretical expertise, and local issues; but there are certain broadly common features. For instance, there is a general frustration and impatience over the apparent ineffectiveness of past efforts against the national policies of imperialism and racism. Nothing much seems to have changed, for war and genocide continue, and to many dedicated young radicals that amounts to failure. Added to this has been the dilemma of how to deal with the liberal and non-

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ideological front of the Moratorium and "Mobe" people who seem to have pre-empted radical grounds. There is also much disappointment over energies directed against higher educational institutions; for, aside from learning some important lessons about the repressive tactics of school administrators, little was in fact gained from past encounters with the university. And then, personal problems intrude more and more. The debilitating debate over life-style always seems to come up within radical college groups—what to do about drugs and hippie behavior? These questions invariably produce costly divisions and deflect energy away from political questions. Meanwhile, among the older and more experienced people of the campus Left, college radicalism as such is increasingly a passing phase. The story is pretty much the same on every campus this year. Many of the older and more able leaders have graduated, some have been dismissed, and some simply did not return last fall. For others still on campus, the attraction of campus-centered activity is not as personally immediate as the problem of determining how to function as a radical after college is over. As a result, there is a serious lack of able leadership.

The foregoing examination of the problems of college radicals should not be misinterpreted. It would be quite incorrect to assume that the college Left is about to fade off into the limbo of used-up political movements. The numbers of young radicals are much too great and their commitment is much too deep. To be sure, universities are still successfully engaged in producing robots, but they are only rarely "cheerful robots" anymore. Even to the non-political student, the university is sunk in the mire of a sick society; and, as radical faculty members know, except those in the deepest underbrush of American higher education, the most pointed and bitter criticism of this society can be offered in the classroom without fear of student dissent or criticism. In this sense, campuses are more radical than ever. However, the question posed here is: what form will this radicalism take in the future?

One tendency which seems to be emerging and which, this writer believes, must sooner or later receive serious attention from all of the American Left is a drift toward anarchist analysis and politics. The charge is a serious one, and it needs explanation and qualification that probably go beyond the limits of this very generalized account.

It should be admitted at the outset that the following use of "anarchism" as a descriptive term is quite broad, referring both

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to an identifiable historical body of political doctrine which has recently gained new life, as well as to a vague and ill-defined political and social outlook which in its emotional and inspirational tones is closely related to traditional anarchism. The latter quality among college radicals is the most difficult to explain and to analyze. Colleges, however, have no monopoly on the development of anarchism. There is a growing unease among active radicals and functioning radical groups outside the universities about a rising anarchist feeling or commitment. Probably the most recent focal point has been the Weathermen (who are really no longer a college-based radical group) and their vanguard actions allegedly for the purpose of exposing to the whole society the repressive nature of the American state. Whether or not Weatherman and avowedly anarchist groups on the Left signify a serious shift of American radicalism to anarchist values and analysis remains to be proved; but clearly a significant anarchist thrust lurks just below the surface of contemporary American radicalism, and this is a tendency that needs immediate and searching study.

Since there is no single, monolithic theme to this anarchist tendency among college radicals, serious definitional difficulties doubtless arise when a general and simplified description is broadly applied. However, one pamphlet, *Listen Marxist,* published by the Anarchos and widely read by the college Left since the June SDS convention is as good a place to begin as any, for the message of *Listen Marxist* is a fair articulation of what many college radicals, even those who will bitterly protest the "anarchist" label, are thinking.

The Anarchos publication came to my attention in a manner that deserves recounting, for it illustrates the measure of concern expressed in this writing. A few months ago, during the summer session, I encountered one of the girls from the local SDS chapter in the library stacks. I knew her as a strong leader with an able mind, a cut above the average membership. There was and is no doubt of her commitment to radical ideas and action although, like most of her fellows in SDS, she was confused and skeptical in her own theoretical analysis of her radicalism. She had been to Chicago and was now more confused and dismayed than ever.

Not being currently enrolled as a summer school student, she told me that she had been denied privileges of the library for the summer, and she asked me if I would take out some books for her on my I.D. card. As the library was then giving faculty members a bad time on overdue books and I had already had some

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difficulty with borrowing books for non-students, I demurred and then asked her if she would be able to return them within three weeks. She said no, and, perhaps, realizing my embarrassment as to what to do or say next, stuffed a book under her blouse and said: "Fuck the bastards, I'll steal it then." As she walked out of the stacks, I stood there, puzzling over a newly discovered bourgeois hangup in my own character. A few weeks later, I received in the mail a copy of *Listen Marxist* with a note from the same girl asking me to read it carefully so that we could talk about it in the fall.

Listen Marxist is a flashy little pamphlet, letterset and proofread, a notch above the usual mimeograph and strike-over publication so common on the Left. It is written in a fast and hip style, and the first inclination of someone on the far side of the generation gap is not to take it seriously. However, that would be a mistake for it is a very serious, if somewhat lightweight, attack upon Marxism and a plea for a straightforward and simplistic anarchism. Its chapter headings easily reveal its contents: "The Historical Limits of Marxism," "The Myth of the Party," "The Myth of the Proletariat," and so on.

The major thrust of *Listen Marxist* is to explain away, in fact to destroy, a class-based analysis of society and revolutionary activity. As the abundant society grows, class definitions are seen fading away. "The process of disintegration, in short, now becomes generalized and cuts across virtually all the traditional classes, values, and institutions. It creates entirely new issues, modes of struggle, forms of organization and calls for an entirely new approach to theory and praxis." (p. 11) It follows, therefore, that the Left should not accept the "workeritis" of Marx's analysis. Rather than identifying with the class consciousness of the proletariat (which is seen as a basically conservative force anyway), the college Left is asked to identify with the workers' growing "un-class" consciousness.

The most promising development in the factories today is the emergence of young workers who smoke pot, fuck off on their jobs, drift into and out of factories, grow long or longish hair, demand more leisure time rather than more pay, steal, harass all authority figures, go on wildcats, and turn on their fellow workers. Even more promising is the emergence of this human type in trade schools and high schools, the reservoir of the industrial working class to come. To the degree that workers, vocational students and high school students link their life-styles to various aspects of the

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anarchic youth culture, to that degree will the proletariat be transformed from a force for the conservation of the established order into a force for revolution. (p. 12)

The rest of the argument is not too difficult to imagine. The "doctrinaire" fashion of Marxists is attacked by the simple logic of: "Why substitute the dictatorship of the proletariat for the dictatorship of the capitalists?" The appeal is highly personalistic—"to make it possible for each individual to gain control of his own life," to encourage people to "remake themselves," etc. It is aimed at the idealistic youth and their growing sub-culture. Being "flipped out" is defended as a serious political action of self-expression. *Listen Marxist* rejects a historical consciousness of the development and decomposition of capitalism and calls simply for a "shedding of the past"—to start anew, fresh, and with nothing of the past etched on our consciousness. (p. 30)

There is, I suppose, no way of knowing how many college radicals have sympathetically read *Listen Marxist* nor how many more privately hold to similar views, but we should not underestimate the attractiveness of such appeals, especially given the frustration and weariness that characterize much of the college Left. Moreover, the more experienced on the American Left should have expected some crude kind of anarchist political analysis to spring up in the colleges.

The crucial dividing issue between Marxists and anarchists has always been, at bottom, the proper use of historical and class analysis. In general, anarchism rejects both history and class, and emphasizes an individualistic and self-centered radical consciousness, and this gives it a special attractiveness to college kids. The radical commitment of the college Left has always been detached from a historical and class analysis of their society. Their aim, in the main, has been to condemn past and present America and to build a new society. This was explicitly the program developed at Port Huron by the Students for a Democratic Society, and the twisted course of events since then has not seriously deflected it or its splinter affiliates from this goal. But in building the new society there has been no real attempt to utilize a truly historical dimension. Granted that the college Left has accepted the existence of a class division in America, or at least those who saw need for any such profound analysis accepted it; but as veterans of the "old" Left and Marxist scholars have long been uncomfortably aware (although they have rarely spoken out on this point), all too few of the college radicals have shown much inter-

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est in the intricacies of Marxist analysis. Those who have done so have often found themselves separated from their less "doctrinaire" colleagues and have either been driven to the margins of leadership or out of the movement altogether. Marxist analysis, to the degree that it was ever accepted by the rank and file and most of the leadership of the college Left, has been primarily a political or rhetorical vehicle and only rarely an intellectual method or world view.

The Marxist demand for class analysis has always been difficult for college radicals. Most have grown up strongly affected by society's commitment to an individualistic social ethic with its emphasis on personal and private values. Even when the materialistic or cash-value husk of this ethic is stripped off, there remains in most radical kids the seed of a private or personalized social outlook. In fact, their own decision to attend or to continue in college may be seen as an affirmation of the American myth of the self-made and private man.

Meanwhile, college itself continuously reinforces these internalized feelings. In the same way that mass university education in the corporate-liberal state works to erase observable class conflict on a broad scale for non-radicals, similarly it tends to blur the radical's vision. College, while it heightens and even creates the essential sense of alienation, still directs it away from a clear class analysis. While there have been important efforts to relate college radicals to class political action and many ex-college radicals have made the transition, the vast majority of undergraduate radicals remains unaffected. College, even if it is seen as a hated instrument of a ruling class's domination over the whole society, quite simply does not itself create class identity.

To the college radical, filled with guilt about his own role in this society and sharply alienated from its objects, a self-perception develops in which he is not part of any class but really declassed—cut off from those who are clearly proletarian or bourgeois. His radicalism is real but it remains non-historical and largely private, and it develops individualistic and existential qualities that are really carry-overs from his earlier commitment or subjection to the American myth. Although he is referring to problems of three or four decades ago, Martin Sklar's recent observations on the intellectual radical have much application to the present Left. Sklar states:

> Even for those intellectuals who identified with the proletariat, . . . their transhistorical outlook still remained parochial, limited

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and insufficiently world historical—still insufficiently class-conscious, and so disabling them for class-directed socio-political action effective for realizing their own revolutionary aspirations. They were unable, in short, fully to comprehend their society and themselves from the standpoint of their own immediate situation and their own role as intellectuals and artists, so long as that comprehension remained at the level of functionalism (however self-exalted the function), rather than of class. Their consciousness, that is, still remained substantially alienated from their own broader, and historically concrete, humanity. They were caught in a historical situation where they could not make the passage from apparently declassed radicals to class-conscious revolutionaries.*

To put it in a blunt and highly argumentative way, many college kids find the transition from Republican to anarchist much less difficult than might be imagined.

Without the development of a radical historical analysis of their own growth or that of their society, and given their own life-experience of growing up in a society emphasizing the individualistic mythos, the inclination of young radicals to form their radicalism in personalized and existential modes is explicable. Indeed, given these conditions, it is really quite surprising that the degree of organized or "movement" commitment and activism seen in the recent past was ever obtained. However, the current feeling of frustration and unfulfillment with past radical activity on the campus now threatens to bring the heretofore submerged personalism of the college Left to the surface. It is not difficult to imagine that many very committed kids may find such appeals as *Listen Marxist* to be attractive, and a crude kind of individualistic anarchism is very likely to be the next phase for much of the college-based Left.

Robert B. Carson

State University of New York
Oneonta, New York
January 1970.

* Martin J. Sklar, "On the Proletarian Revolution and the End of Political Economic Society," *Radical America,* vol. 3, no. 3, May-June 1969, p. 34.

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WORLD EVENTS

By Scott Nearing

A Lesson in Zionism

During my recent trip to Israel, in November 1969, I was invited to dine with a prominent political figure. After dinner our host rose, and in a grave voice told his assembled guests that he would like to say a few words about the forces making for Zionism. He opened a Bible to the story of the giant Goliath and the stripling David.

"The Jewish invaders of the Promised Land were drawn up in battle array facing the native Philistines, whose heavily armed strong man stepped out and challenged the Jews to produce a champion who could meet him in single combat. David volunteered. He went into the fight with a sling and a bag of pebbles. As Goliath approached, scoffing, and threatening death to his youthful opponent, David, guided by Jehovah, slung a stone that struck Goliath between the eyes and killed him. The defeat of the Philistines followed and the Jews occupied their land.

"Years passed. David became King, and was followed by Solomon. Jerusalem was captured twice, first by the Babylonians and later by the Romans. The city was sacked; the Temple desecrated. The Jews who survived were scattered far and wide in small minority groups all over the world. This dispersal lasted for centuries.

"Threatened with extermination by Hitler, the Jews decided to restore their homeland," our host continued. "The struggle was arduous. Under Jehovah's guidance the Back-To-Zion movement was strengthened. Jews from all over the world moved into the Promised Land, won their independence in 1948, and in 1967, in the Six-Day War, gained possession of the entire city of Jerusalem, surrounded by greatly extended frontiers.

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"David, with the help of Jehovah, had triumphed again," our host pointed out. "With a handful of trained men, in the face of huge armies, the Israeli forces, in less than a week, had inflicted crushing defeats on Syria, Egypt, and Jordan. Not only had the Jews been united for the first time since their defeat and dispersal by Rome but they had gained complete control of their Holy City and had enlarged their frontiers far beyond the territories included in the Kingdom of Solomon."

Our host wound up with the following peroration: "To safeguard the Holy City and protect the Promised Land forever against further violation, the Zionists are prepared to defeat all enemies and to maintain the sovereignty of Israel."

Three of the guests made laudatory answering speeches. When called on in my turn I said that I would make my comment in one sentence, repeating words formerly uttered in this same land of Palestine. "Beware!" I warned. "They that take up the sword shall perish by the sword."

The Six-Day War of 1967 had brought victory to Israel and glory to its armed forces. Would this spectacular victory put an end to Israel's troubles or would it add to them?

Israel as Outlaw

Viewed from the United Nations, Israel is an outlaw. Basic United Nations principles prohibit the use of war as an instrument of policy. Israel, in 1967, defeated the armies of its Arab neighbors, invaded and occupied thousands of square miles belonging to Jordan, Syria, and Egypt and is presently settling and administering the "new territories."

The United Nations Security Council, on November 22, 1967, passed a resolution directing Israel to withdraw its armed forces from the newly conquered territories. For more than two years Israeli armed forces have remained, in defiance of the Security Council resolution.

On December 11, 1969, the United Nations Assembly voted a resolution calling upon Israel to renounce "collective punishments, the destruction of dwelling houses and deportation of the inhabitants of the occupied territories" and to cease violating the rights of the civilian populations. The resolution

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also called upon Israel to respect the provisions of the 1949 Geneva Conventions and the other decisions of the United Nations concerning the Palestinian problem.

In December 1969 Secretary of State Rogers suggested that the government of Israel conform to the United Nations resolutions and withdraw its military forces from territory conquered in the 1967 war. The Meir government rejected Washington's request and persists, single-handed, in its determination to hold on to its war booty, defy world opinion, and take the consequences. Little David again challenging Goliath!

The Shattered Arab Bloc

Since the war's end in 1945 new states by the dozen have made their bow and tried to join the Family of Nations. Repeated attempts have been made to group these states—in Europe, Asia, Africa. One such attempted grouping was an Arab League, which simmered down to the United Arab Republic, consisting of Egypt and Syria.

Israel established itself as a sovereign state in 1949. At that time the population of Palestine was fairly balanced between Jews and Arabs. During the two following decades, Jews from all over the world were encouraged and assisted to immigrate to Israel. By 1969 the population of Israel was overwhelmingly Jewish. Two million Jews, many of them young, idealistic, and enthusiasts for a Jewish Homeland, had established themselves in an area occupied by a hundred million non-Jewish Moslems, many of them Arabs.

Arabs in Israel thought of themselves as an unrepresented exploited minority. Governments in neighboring Arab states urged Arabs to leave Israel temporarily, while a Holy War was organized to destroy the Zionist state and restore Arab control in Jerusalem, which Moslems look upon as a holy place. Hundreds of thousands of Arabs left Palestine or were driven out in the course of the fighting. Settled in temporary camps they became the "Arab refugees," who have attracted world attention for the past twenty years.

The Arab League, under the leadership of President

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Nasser's United Arab Republic, assumed the responsibility of carrying out anti-Zionist policy. To this end the Fifth Summit Arab Conference was called to meet in Rabat, Morocco, on December 20, 1969. Its first business was the mobilization of military potential. The second item was aid for the Palestinian guerrilla fighters who were harassing the Israelis. Apparently the Conference split on the first item and got no further with its agenda.

> The Arab "Summit" ended Tuesday, shortly before midnight, in an atmosphere of stormy tension. . . . The extent of the discord was such that the Chiefs of State separated without publishing a resolution, nor a joint declaration or even a brief communiqué. Three delegations, those of Syria, of Iraq, and of South Yemen . . . withdrew from the Conference before its final session.

The Conference breakup was due to great divergences between delegations on the proposed war effort. Subsequent efforts to convene a "Little" Arab Summit composed of President Nasser and those Arab leaders who agreed with his policies could not hide the obvious fact that Arab forces were more sharply divided than they had been at any time during the current Near East crisis.

Efforts to form a strong Arab League have met with one setback after another. The one issue on which President Nasser and his backers had hoped for unity was the existence of Zionist Israel as a thorn in the flesh of the Arab-dominated Near East. The decisive military defeat in 1967 might have led to a united Arab comeback. Instead, it was followed by the catastrophic collapse of the Rabat meeting.

Israel's Opportunity

While in Israel I asked one question at every opportunity: "How many Israeli Jews are proud of the Six-Day War and satisfied with its results?" Among adults there was some slight difference of opinion. Israeli youth with one voice applauded the war, were thrilled by its victories and eager to press forward and outward until Israel had established "defensible frontiers."

A man I knew in Haifa, Joseph Abileah, gave a new point of view. "There are many in Israel who, like me, believe that

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no fundamental question will ever be solved by a military victory. On the contrary, victory results in bitterness, hatred and a determination to retaliate. Only a political rearrangement will meet the issues arising out of the Israeli-Arab conflict.

"*First*, among the steps necessary is an agreed division of Palestine into two sovereign parts: a Jewish state and an Arab state. This will go a long way toward solving the racial, religious, cultural antagonism that is sapping the strength of both parties.

"*Second*, spokesmen for the two Palestinian states, with spokesmen from Lebanon, Jordan and Syria, must meet and establish a Near East Federation.

"*Third*, if this federation proves successful it will be joined by other Near and Middle East nations. Thus, the entire territory, organized on the federal principle of local issues decided locally and regional issues decided regionally, can police itself and advance its own interests, determining its policy step by step.

"*Fourth*, such a success would provide the entire world with an example of the relative effectiveness and low cost of solving political issues by negotiation as compared with the high cost of military solutions."

Joseph Abileah is an idealist and a pacifist. Few Israelis that I met agree with him. Most of them, as citizens of a warfare state, take military solutions for granted.

As I see it, events in December 1969 offered Israel two possibilities: an opportunity for peace and internal development, and an opportunity for further expansion through military operations.

If Israel wants peace it must carry out the Security Council mandate of November 22, 1967; accept the mediation of third parties; withdraw its military forces from most of the positions gained during the Six-Day War; come to terms with those Arabs (perhaps a third of a million) who live inside the boundaries of Israel; work out a formula for compensating Arab refugees and stabilize its relations with the natural environment and with its Arab neighbors. Such a program could occupy the time and energies and imagination of Israelis for at least half a century.

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If, on the other hand, Israel wants further expansion, the defeat of neighbor governments and further occupation of neighboring territory in Asia and Africa until "strategic frontiers" are established, it must act more or less alone. It must be prepared to lose a large portion of its annual subsidy, collected chiefly in the United States, Britain, France, Holland; it must develop its own armament industry; continue the buildup of Israel as a warfare state; draft its entire population; and dedicate its total energies to conquest, the settlement of new territories, and the suppression of revolt among conquered native peoples. It must prepare for a century of austere living while the energies of the Israeli people are poured into total, continuous, military preparedness and ceaseless military operations.

Such a program involves an increasing drain on the public treasury, increased taxation, budget deficits and deficits in the balance of international payments, mounting debts, the printing of paper money, notes and bonds, inflation, and a steady growth in military spending at the expense of the civilian economy. If "strategic frontiers" are established and stabilized within one century, the people of Israel will be fortunate. Probably rising overhead costs will wreck the Israeli economy long before the century of expansion comes to an untimely end.

Such a program depends upon an adequate supply of manpower for production, for military operations, for the settlement of newly acquired territories. Manpower can come from natural increase, from further immigration of Jewish people, and from the more amenable elements in newly conquered territories. If the expansion by conquest and annexation continues over a long period, manpower for production and for military purposes must come increasingly from conquered territories and peoples.

Faced by these perspectives, will Israel choose war or peace? If one may judge by December 1969 events, Israel has already chosen further expansion and war.

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(*Continued from inside front cover*)

now been officially characterized by no less than *Fortune* as 'the most interesting in U.S. history.'" Apart from the Marxian classics, mostly published by International Publishers, MR Press books far outnumber those of any other publisher in Miss Price's carefully annotated list. We have a small supply of reprints of the article and will be glad to send them to MR readers on a first-come-first-served basis. Please include with your request a self-addressed standard 9" x 4" envelope with 12¢ stamps attached.

We occasionally receive complaints about the prices of MR Press books. Readers may therefore be interested in the following information:

(1) According to the annual analysis by *Publishers' Weekly,* the average price of a cloth book in 1969 (based on almost 18,000 new cloth books) was $9.37. Our average price in 1969 was $6.60, and that included a 2-volume $15 work!

(2) This was true despite the fact that about one third (6) of the 17 cloth books we did in 1969 required translation, and this adds very heavily to the cost of a book.

(3) We produced 18 new paperbacks in 1969, with an average price of $2.83. The average of 4,000 1969 paperbacks of the same class (so-called "quality" paperbacks; this excludes the drugstore-newsstand paperbacks done in printings of hundreds of thousands) was $3.58!

Of course, we don't have all the facts to make a definite comparison (chiefly, average size of book), but our prices of both paperback and cloth books are so much below industry averages that we think there is ample margin for any faults in the basis of comparison.

Of course there may be people who think that because MR Press is a left-wing publisher, its prices should be *much* lower than those of the industry as a whole. We wish it were possible, but unfortunately we have to meet costs with something left over if we are to continue expanding the publication of radical literature. So far, alas, we have not discovered a source of subsidies which would make a different policy feasible.

A reader writes suggesting that we offer special sub rates and book prices for prisoners. On a trial basis, we will send subs *free* and books at MR Associates rates, i.e., 50 percent off list price, to prisoners. But we ask anyone taking advantage of these offers to make sure before writing us that the relevant prison regulations are known and that mailing instructions comply with them.

The Press has finally found a suitable translator for a Marxist classic, Hilferding's *Das Finanzkapital,* which should have been available in English long ago. The work is now well under way and we hope to be able to announce a publication date in the not too distant future.

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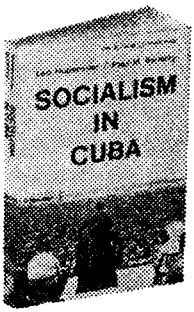

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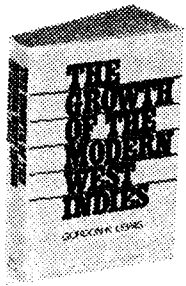

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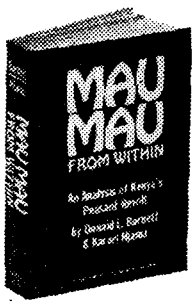

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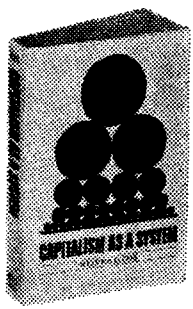

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